Home-Based Business

WORKBOOK 2

MARKETING YOUR PRODUCTS & SERVICES

Ministry of
Regional and Economic Development
HONOURABLE STANLEY B. HAGEN
MINISTER

HOME-BASED BUSINESS

WORKBOOK 2
MARKETING YOUR PRODUCTS & SERVICES

Province of British Columbia
Ministry of Regional Development

HONOURABLE ELWOOD N. VEITCH
MINISTER

90-03829/

Canadian Cataloguing in Publication Data

Gardner, Peter Nigel, 1946-

Home-based business, workbook 2

Prepared by Peter Gardner for the Ministry of Regional Development.

ISBN 0-7726-1016-9

1. Home-based businesses - British Columbia - Handbooks, manuals, etc. 2. Self-employed - British Columbia - Handbooks, manuals, etc. 3. Marketing - British Columbia - Handbooks, manuals, etc. I. British Columbia. Ministry of Regional Development. II. Title. III. Title: Marketing your products and services.

HD2336.C3G37 1989 658'.041 C89-092241-1

The content of this marketing workbook has been prepared by Peter Gardner in consultation with many sources. It does not necessarily reflect the opinions nor the policies of the Provincial Government.

BUILD A FLOURISHING HOME-BASED BUSINESS THROUGH SUCCESSFUL MARKETING

If you have started a home-based business and made it through the first year, you are part of the new entrepreneurial spirit which is sweeping British Columbia. Like the 15,000 others who have started home-based businesses over the last year, you are now faced with the challenge of making your business flourish.

About two-thirds of the home-based businesses surveyed in British Columbia indicate they are having trouble with marketing. Another one-third indicate they have lots of orders but their problem is trying to scale up production to meet the rapid growth in demand without compromising quality.

The Ministry of Regional Development is providing comprehensive programs and services to assist both existing and new home-based businesses. In addition to a telephone hotline and a self-study home-based business manual, the Ministry is sponsoring a series of workshops in communities throughout British Columbia to help people like you start a successful home-based business.

As you have probably discovered, no magic formulas are required, just good common sense and sound advice. If you have not had a chance to take Workshop 1, phone your local Chamber of Commerce and plan on taking the next one. Many people have already found that the workshop materials and the experience of the facilitators have helped them solve problems they have been wrestling with for months.

Workshop 2 is designed to lift your business out of the start-up phase by assisting you to develop a marketing strategy which will increase your revenues. Most participants will experience a steady and satisfying growth as they apply the principles explained by the facilitators; a few will find their sales increase dramatically. All participants can benefit from the tips on scaling up production, managing stress and the information in the appendices designed to help you monitor and control costs and the cash flow in your business.

No matter how small or large your business, nor how recently you have started it, you can benefit from improved marketing techniques that will assist you to penetrate new markets for goods and services. Strive for excellence and help your home-based business flourish.

Honourable Elwood N. Veitch
Minister of Regional Development and
Minister of State For Mainland/Southwest

WORKBOOK 2

MARKETING YOUR PRODUCTS AND SERVICES

TABLE OF CONTENTS

Acknowledgements
Introduction

Page

CHAPTER 1: MARKETING FOR SMALL BUSINESS ENTREPRENEURS

A. Do You Need This Workshop? 1
B. The Marketing Concept 3
C. Dealing With Success 8
D. Scaling Up Production 12

CHAPTER 2: YOUR MARKETING PLAN

A. Writing A Marketing Plan 14
B. Goals And Objectives 16
C. The Market Survey Revisited 17
D. The Market Environment 19
E. Can Your Market Niche Provide Enough Income? 21
F. Test Selling 23
G. Redesigning Your HBB 24

CHAPTER 3: YOUR IMAGE AND YOUR MESSAGE

A. Developing The Right Image 26
B. How To Advertise Effectively 28
C. Different Advertising Channels 30
D. Designing Advertisements 35
E. Promotions 40
F. Publicity 41

CHAPTER 4: A SHORT COURSE ON SELLING

A. Enjoy Working With The Averages 44
B. Prospecting 45
C. Preparing the Presentation 47
D. Making the Presentation 49
E. After You Have Made The Presentation 53

Page

CHAPTER 5: MARKETING YOUR PRODUCTS AND SERVICES

A. Marketing At Trade Shows 56
B. Marketing To People's Homes 62
C. Marketing To Government And To Large Corporations 65
D. Marketing At The Wholesale Level 68
E. Marketing Through Mail Order 74

APPENDIX 1: CASH FLOW PROJECTIONS

A. Preparing An Income Statement 75
B. Calculating Cash Flow 78

APPENDIX 2: MARKETING BY MAIL

A. Mail Order Options 81
B. Setting Up A Mail Order Business 83
C. Using A Direct Mail Approach 86

APPENDIX 3: GROUP MARKETING

A. Management 89
B. Priority Tasks 90
C. Workloads 91
D. Commission System 93
E. Consistent Quality And Volume 95
F. Working With The Community 96
G. Financing Marketing Groups 97

RESOURCES

A. Primary Resources 98
B. Other Resources 98
C. Directories 98

CHAPTER 1: MARKETING FOR SMALL BUSINESS ENTREPRENEURS

A. DO YOU NEED THIS WORKSHOP?

Please take a few minutes to fill in the following questionnaire, it will indicate whether you should do your own marketing, or hand it over to someone else, and whether you need help with managing more effectively. Just circle the numbers for those statements which apply to your home-based business (HBB).

1. I respect the abilities of professional sales people, and I would be happy to turn my marketing over to such specialists in order to leave me free to get on with the production side of my business.
2. I realize that if I am going to do my own marketing, it could take up to half of my working time, and that I must adjust the prices of my products or services to include time spent in marketing and the associated expenses.
3. I am not reluctant to talk to people about my product or service, to find out what they really want and how I can fulfill their needs.
4. I am not afraid to make a long term commitment to advertising and other forms of communication to inform people about my business and to create an image which will give my business a special position in people's minds.
5. I get excited about the idea of being recognized as an expert in my field, and believe that publicity based on my expertise is one great way to get free advertising for my business.
6. Although I have not had much experience in selling, I enjoy the challenge of opening up someone's mind to the ways in which my product or service can really meet their needs.
7. I am a good teacher and know I would enjoy test selling my products or services at trade shows and shopping malls.
8. I believe that being close to the market, although it is sometimes painful, is a very exciting challenge; it sharpens my abilities and makes life more stimulating.
9. Sometimes it seems that the faster I go the "behinder" I get, and I realize that in order to reduce stress I need to plan and manage my business more effectively.
10. I have never had trouble with marketing, in fact I have too many orders already. I need to learn how to produce the volume to meet those orders while trying to maintain quality.

ASSESSING YOUR ANSWERS

If you answered yes to question 1, this course will increase your understanding and help you to be more effective when working with those who will do your marketing for you. If you answered yes to question 8, your enthusiasm will help you to apply what you learn to improving your sales in the future.

Questions 2 and 4 indicate why the usual markups from production prices to both the wholesale and retail levels are so high. The truth is that marketing takes money and time, and you must account for these expenses in your prices.

Questions 3, 6 and 7 raise an important issue about marketing - you must enjoy working with people if you are going to be successful. From the market survey to the actual selling of the product or service, you are talking and working with people. Even if you hand all the marketing and selling over to someone else, you still have to deal with that person, and you must keep in constant touch with the market to make sure you are producing something which is in demand.

Question 5 introduces one of the very powerful ways of doing marketing on a "shoestring" budget. This workshop will highlight the ways you can save money by doing your own market survey right through to renting out your mail order mailing list in order to generate extra revenue.

Questions 9 and 10 indicate you need some help if you are going to cope successfully and profitably with the increased sales which will result from applying the lessons you will learn in this workshop.

B. THE MARKETING CONCEPT

WORKSHOP 1

Much of the very basic marketing material presented in Workshop 1 is not covered in this workshop. While this Workshop 2 will be most helpful to you in specific areas, it is recommended that you take Workshop 1 when it is next presented even if you have already started a home-based business (HBB).

It is explained in Workshop 1 that the three major causes of failure for HBBs are poor demand for the product, no action plan or system for organizing the business, and a lack of control over costs. Participants in Workshop 1 are asked to do a market survey to determine if the market for their product or service would support a feasible business. Participants also learn how to do the financial work needed to determine if their business would be viable in terms of providing enough return for the effort and investment. For most HBBs this provides enough material to put a business plan together to help ensure a more successful start.

WORKSHOP 2

In this workshop it is assumed that you have already started a HBB but are having trouble with marketing. Your business has survived the first few crucial months but is not flourishing the way you had expected. It is time to move from a business plan to a marketing plan.

About two-thirds of the HBBs which have been surveyed in British Columbia indicate they are having trouble with marketing. Another one-third indicate they have lots of orders, their problem is trying to scale up production in such a way as to meet the rapid growth in demand without compromising quality. And almost all successful HBBs have indicated they need help with managing stress more effectively.

This workshop will teach you how to market and sell your products and services, how to scale up production, and how to reduce the stress in running your business. The attached appendices will show you how to market in a group situation, and will teach you how to put a simple cash flow statement together.

MARKETING VERSUS SELLING

Most of us have tried selling at one time or another, whether it was door to door selling of magazine subscriptions for our baseball team, or putting on a garage sale to get money for some of our stuff so we could go out and buy someone else's stuff at another garage sale. And if you are like most people, you probably found the whole selling experience frustrating and embarrassing, to say the least.

The harsh reality of the marketplace comes as a real shock, selling is not easy, is it? And if you have done it for any length of time, you have probably found that selling starts to become easier the more time you spend listening and not talking.

Ever had the experience of trying to buy something where the sales person never stops talking and never seems to hear what you are trying to tell them you need? Unless you really want the product, you usually walk away without buying. The key to marketing successfully is to do the listening first, and then to shape your product or service to suit what people really want (and not what you thought they wanted).

Marketing includes listening and shaping your product or service to what the market tells you people want, it includes all the steps from the time your product or service is ready to be sold to the point where the customer has paid for it and received it, and it includes the after sales servicing.

Even if you have done a market survey which exactly pinpoints your target market and the typical consumers who really want your product or service, you need to communicate through advertising and promotion to let people know that you have something which they have told you they want. You then have to sell your product or service. Of course, selling is very much a part of the marketing process and while it is still hard work, you will find it much more enjoyable if you have put a good marketing plan into effect.

MARKETING DEFINED

If you are like most people you probably did not put a business plan together when you started your HBB. Instead the business just sort of grew to where it is now. When you decided to take your HBB seriously you probably did sit down and put a business plan together. You may have put in some information on marketing, but most of your business plan would have consisted of detailed revenue forecasts, cost projections, and expected profits. The main purpose behind the plan was to help you get better organized so that you could operate more efficiently.

- But where did your revenue projections come from?

Marketing focuses on where the revenue for your business is currently coming from and how you can increase it in the future. While you will still need lots of facts and numbers to help you put your sales estimates together, marketing is basically strategic in nature:

- Who wants to buy your product or service?
- What exactly are you going to sell?
- What image do you want to create in the minds of customers and how are you going to communicate with them?
- Where does the customer make contact to negotiate or transact the business?

- What price are you going to charge, and what terms and credit plans will you make available?
- How will you package and deliver the product or service?
- Will you use a single selling channel or a combination such as mail order for seasonal items, trade shows for wholesale orders and consignment to sell at the retail level?

LARGE COMPANY MARKETING AND SELLING

It has been estimated that costs associated with selling and marketing average between 15% and 35% of total costs in medium and large size companies. New computer tools have been developed to cut these cost dramatically while providing better service to clients. Such systems are too expensive for HBBs. However, it is important to be aware of them because the one advantage of being a small business, the better service you can offer clients, may start to be overtaken by the better service being offered by larger firms which have traditionally been poor in this area.

Much of the revolution is related to data processing to make sure customers get what they ordered, by the route they prefer, and on the date they were promised. Sales managers will also be better informed as to which tactics are working and which advertising techniques have better pulling power.

While information is crucial to good marketing and management, data bases and electronic systems will not sell the products. Businesses still need the face to face contact and human touch to help a customer make the decision to buy. However, you will have to match the increasingly better service offered by large firms by doing an excellent job of tracking to make sure you get the orders out to the customers the way they want them and within the right timeframe. You will also have to track how your advertising dollars should best be spent.

PROFILE OF RAY BOULIANE - ROSSLAND - SOUND RECORDING STUDIO

The following is a profile of a British Columbia HBB which literally grew out of the market. It is a perfect example of someone who really tailored and customized his service to the market by listening to what his clients wanted.

How has a sophisticated sound recording studio in a small community in south-eastern B.C. become a thriving operation where musicians and bands from across North America come to do business? Ask Ray Bouliane, who ten years ago took his one-man band on the road - hands strumming guitar, feet tapping keyboard and mouth either singing or blowing up a storm on a harmonica.

Today he is the owner of Ray Bouliane's Sound Reflections Studio, based in Rossland, producer of top quality demonstration tapes for bands and soloists who want to send copies of their work to booking managers of clubs and hotels and to recording companies. What is even more astonishing is that he charges only a modest recording studio fee and still makes a profit!

While on the road himself, Ray discovered it was a lot easier to book his act with managers of pubs and hotels if he could send them a professionally produced demo cassette of his work rather than being called to do a live audition. Not having the money to get this done, he bought a four-track tape recorder and made his own demos. He saw his business increase substantially.

"I figured there must be a lot of other musicians who had the same problem and thought maybe I could recover the cost of my recording equipment by making demos for them," Ray recalls, "so I set up my equipment in my camper and made contact with some of the bands playing in hotels. I made them an offer they couldn't refuse: I would do a recording for them and mix it down; they would pay me $150 for it if they liked it ... no charge if they didn't."

Over the next few years Ray's mobile recording business became so lucrative that he had to consider settling down and building a recording studio in his home in Rossland. Married and with a young son, the thirty-three year old musician figured the time was right to do just that.

"Even by doing all the carpentry and electronic installation work myself, the studio still wound up costing me $30,500 - which was almost as much as my house cost," he says. "It was quite a risk to take because I wasn't sure that just recording bands would allow me to recover the capital costs, as well as pay me the living wage I would need if I gave up performing on the road to do this business full time."

He applied to the federal government for a Community Futures grant which would pay Ray and his family $180 a week for one year while he established his business at home, allowing time to set himself up and attract his itinerant clientele to his permanent location.

Soon other types of clients began arriving on his doorstep. First, he agreed to produce a talking book about Canada's first travelling salesman. Meeting this new challenge, he composed theme music for it, produced all the voices and sound effects, edited the final version and duplicated 300 tapes to his client's orders. He even printed the tape labels. The $100 kit of book, tape and doll not only caught the attention of the local market but is being considered by a publishing company in Japan as an entertaining way to teach children in that country to speak English.

Approached by a private school to record French books seldom borrowed from their library, he has already produced thirty recordings. The school reports that these talking books are now the most popular in the library.

In the two years that his Sound Reflections Studio has been operating, Ray has continued making demos and talking books, but has also branched out into radio commercials and video productions. He is now considering moving into desk-top publishing of a newsletter for musicians and bands.

"Sometimes I feel that the business is growing faster than I can deal with it," Ray beams. "Americans come here because of the favorable exchange rate, because my demos are high quality but inexpensive, and because they really like the peace and beauty of the Kootenay Region."

C. DEALING WITH SUCCESS

MANAGING STRESS MORE EFFECTIVELY

If you put many of the lessons in this workshop into effect, you are going to find your sales start to increase. For most people the increased growth will be modest but very steady. For some it may be spectacular. Whatever happens in your case, you will have to learn to cope with a greater volume of business, more demands on your time, and more problems which need to be resolved.

Although there are many theories to explain management stress, the key problems appear to be uncertainty due to a lack of accurate and correct information, and confusion over the best way of handling the business. It is essential to take time to plan, and to keep on top of all the changes which inevitably take place in an industry.

Uncertainty, confusion and the mounting costs of making mistakes create a burden which even the best intentioned person finds hard to tolerate. If you are close to burn-out, stop, hand the business over to your partner or spouse or best employee, and take several days to gather information and start planning.

GATHERING INFORMATION

Questions related to your market survey:

- Have the results over the last few months supported the conclusions about who you should be selling to?
- Has your advertising and publicity program attracted the business you would have expected given the results of the market survey you did for your business plan?
- Have your distribution and delivery systems worked correctly?
- Has the business cycle changed or has a competitive service or product emerged which is robbing you of sales?
- If sales have been disappointing, was the market survey done correctly, do you have a clear marketing strategy?

The chapters below will help you to become more focussed in answering some of these important marketing questions.

Questions related to your business plan:

- Have you been achieving your business goals?
- Are you losing control over costs?
- Have you spent too much money on assets such as vehicles, office machinery, or production equipment?
- Are raw material or production expenses much higher than you had expected?
- Are your service calls taking a lot longer than you had budgeted for?

- Have your raw material inventories been too high because of taking advantage of bulk purchase deals?

Your supplier would much rather give you a discount so that you, and not they, can pay the bank interest on working capital tied up in large inventories!

- Do your prices really reflect the cost structure in the business?
- Have you accounted for all the costs of marketing?

Questions related to personal goals:

- Have you allowed yourself a decent salary?
- Is the relationship with your business partner becoming strained?
- How about the family, have you been keeping them informed? Is your spouse turning into a chronic complainer about the amount of overtime you are devoting to the business?

SOLVING PROBLEMS

Answering questions like these should give you a clearer picture of what is going on both in your personal life and in your business life. Now comes the planning. Write down your objectives and the priorities attached to them. At the top of the list should be one four hour session a month to gather information, monitor the operations of the business, and plan how to solve problems.

Life is full of problems, it is the ability to resolve them that distinguishes between success and failure. Half the work of resolving problems lies in organizing the information and planning a strategy for dealing with them. If you are uncertain about the best plan of attack, go to the Business Development Centre at your local Community College, or hire the services of someone in the same business as yours but in a distant, non-competing community.

If you are uncertain about how to monitor your business, take one of the courses in business management offered by the FBDB or by your Community College. For a reasonable fee your accountant can set up a monthly monitoring program which will be inexpensive to maintain and yet will provide you with invaluable information on your HBB's financial state of health.

Ask your spouse to monitor your family life. If you are spending too much time at work, cut down on the hours. If you are having trouble hiring and delegating, learn to motivate your employees so that you really are dispensable.

SETTING PRIORITIES

If you are having trouble setting priorities, use a three basket approach. Each day go through your mail, both internal and external, and place each item in one of three baskets:

- Business which has to be dealt with that day.
- Business which has to be dealt with in 5 working days.

- Business that can be dealt with at a later date.

You should set aside a four hour period each week to review the business for that week and to plan for the following week. Presumably all the items in the first basket have been dealt with each day. It is the items in the second basket that have to be reviewed and plans made for dealing with them the following week.

One of the keys to success is to handle each item only once. In other words, do not start something and keep coming back to it. Concentrate on one thing at a time and deal with it once, even if it is slapdash. As long as it effectively solves the problem, who cares if it has not been done perfectly. By forcing yourself to prioritize items, your time will be more effectively spent dealing with the jobs that have to be done.

Many HBBs get into the habit of doing their financial paperwork on a Friday night, and planning for the following week on a Saturday morning. You can then spend the rest of Saturday and Sunday with the family. Once a month, you must set aside another four hours to do the monthly paperwork required for submitting sales tax, quarterly payments to Worker's Compensation, and the inevitable federal payroll deductions. Take that time to do a monthly overview of the business.

MANAGING YOUR PERSONAL LIFE

Planning your personal life can be a great help in reducing stress on the job. Free time is one of the most important things to plan. You can expect to work 55 to 65 hours a week during the first six months while the business is starting. Over the next two years you must drop back to 45 to 55 hours a week. Never keep working if you are hungry, angry, tired or emotionally distraught. You will find your productivity drops dramatically, and you will end up putting in even more hours to rectify the errors resulting from trying to work during those periods.

Consider a program of physical exercise to keep fit, and consider changing your diet so that you eat light foods and at regular intervals during business hours. You will find that as your diet improves and your physical condition is toned up, your working hours become much more effective and enjoyable.

Many HBB entrepreneurs feel they are "performing" or "acting" all the time, and they are filled with the tension which comes from being self-conscious. Develop a sense of humour, taking life and particularly oneself less seriously can often reduce enormous amounts of stress. Do not be afraid to say no at home, you need time for yourself. No-one expects you to be the perfect parent or spouse.

You should plan for both success and failure. Can your family deal with success? Can you? Many marriages have come apart because of success and the lack of planning to make the success work for the benefit of all parties involved. Never use the extra money to buy family loyalty. Instead, use the money to buy extra help with managing, and spend more time with the family.

How about failure? Strangely enough, families often pull together during a crisis and then fall apart after the crisis is over. Have you got contingency plans? Have you got disability insurance in case you are injured?

DIFFICULTIES WITH DELEGATING AUTHORITY

The usual problem with delegating is that other people see things differently and often will follow a different route to get to the same goal. In reality, there is no one single answer or solution to each problem, there are often many correct ones. But in your struggle to make your business work, you have fallen into certain, successful patterns for handling problems. Like many HBB entrepreneurs, you may be reluctant to hand over the steering wheel to someone else who may drive the show differently.

The second major problem with delegating, and a very real concern, is that the other person does not have a stake in the business and will not work as hard as you would to resolve problems and keep the business on the rails. It is not just the number of hours which they may put it, it is the willingness to make those hours effective and productive in terms of management.

SOLUTIONS TO DELEGATION PROBLEMS

There is a way of resolving both problems: give those other decision makers a stake in the business. Before you reject the notion, sit down and work out what your goals are for the business. The main goal for most HBBs is to provide a good source of income, a chance to realize the fruits of their own labour, and possibly build up some equity value in their business. Is any of that lost by allowing your key employees a stake in an expanding business?

If you make it mandatory for proven employees to buy their position in the firm if they want to progress, plus assume more authority in the day to day operational affairs, you will find several things can happen. Employees who commit themselves by mortgaging their house or car to buy a stake in the business have a completely different attitude towards their job. This attitude is enhanced even more if you set up the system so that they earn an annual savings account interest rate on their investment, and an annual bonus based on their productivity.

Before you say no, what is wrong with borrowing at 10% from an employee when you might have to pay the bank 16%? But do not abuse the privilege, make sure the employee-investors are fully informed on at least a quarterly basis about the financial affairs of the business.

You can require that 70% of the annual bonus be added to the investment account of each employee, with the provision that if they quit and ask for payout, they cannot rejoin the company for two years. As the employee-investors see their investment accounts growing each year, their attitude in the workplace and their willingness to work harder and put in overtime increases dramatically. By giving your key people a stake in the business, they may continue to take a different path to resolving problems, but the problems will go away!

D. SCALING UP PRODUCTION

If your marketing strategy is successful, and you have planned carefully so as to reduce stress, you will reach a point in your business where you must expand production or the provision of a service to meet the increased demand. Unfortunately, expansion is the most vulnerable point in the life of a business. To cut down on the risk, it is essential to plan the transition.

If your marketing strategy works and people are eager to buy what you are selling, it is very important to determine exactly what it is that people are so anxious to get from you. The key to successful expansion is to figure out what that special thing is, keep personal control over it, and delegate the less important aspects to others.

You need to know exactly what it is that people are paying the money for, and how long that aspect of the production or provision of service takes. If you produce pottery, it is obviously the shape of the plates, mugs and bowls, and the pattern or finish which is applied. If you offer a consulting service it is most likely the contact time you actually spend with the client explaining the results of your firm's research and how the person can apply it in their business or personal life.

SCALING UP A MANUFACTURING BUSINESS

Using the pottery example, there are approximately eleven steps involved in production. The first step may involve pounding the clay and mixing it with water. No-one is paying you for that, and the task can easily be delegated to someone else. The next step involves the shaping and is probably one of the key aspects people are paying for which means you will have to do it personally.

The next step involves the initial firing of the piece. Again, it is quite easy to train even careful teenagers how to detach a piece from the wheel and place it in the kiln. The next step involves removing the pieces from the kiln and storing them, something the student can do very easily.

The next step involves applying the design and the glaze. This is probably as important to your customers as the shaping and you must do this yourself. The next step involves the second and final firing, which can be done by the same careful teenager. The pieces are put out to cool, and are then wrapped, boxed and shipped. None of these steps require your personal touch.

By careful training of your workers, you can extract yourself from the various production steps that do not require your personal attention. Just keep thinking of it in terms of what people are actually paying you to do. By concentrating on the profit point of your business, you can learn how to maintain quality while rapidly scaling up the volume of production.

SCALING UP A SERVICE BUSINESS

Using the example of providing business office services, you may find that people are happy to pay for the typing and photocopying and other services you offer. But what particularly attracts them to your business may be the fact that you coordinate so many services through one single door and give them extra advice on how to improve their business image and increase their marketing effectiveness.

If this is the case, and even if you prefer to do the typing and photocopying, you must concentrate on those areas which are the profit points. It's your business and people are buying your personal input in certain specific areas. As with the pottery example, you must train others to take over your duties in areas which clients take for granted.

However, the fruits of your marketing strategy and the careful delegation of tasks in scaling up can all go down the drain if you do not insist on maintaining quality as volume increases. Remember that it is consistency that people want. They do not always want grade A. As long as they know they are paying for grade B quality and that grade B products and services are what they will receive, then they will stay loyal customers.

CHAPTER 2: YOUR MARKETING PLAN

In business you have to balance "getting the work" with "doing the work" while trying to keep control over the paperwork and administration required to run the business. Often marketing is done on a sporadic basis with little planning, and there are distinct peaks and valleys in your sales. Developing a marketing plan will help you to tackle marketing in a consistent manner so that your workload will become smoother and more manageable.

A. WRITING A MARKETING PLAN

The whole process of putting a marketing plan together will not work unless you involve everyone connected with your business, both employees and customers. This is particularly true for service providers because employees are in direct contact with clients. It should be made clear that a new emphasis on marketing does not mean abandoning your policy of providing excellent service. Indeed with a proper marketing plan, you should be able to provide better service to your customers.

However, it is possible that your marketing plan will indicate that you should drop certain product lines or stop providing certain types of services. This can be painful for employees who may have to be laid off, or for clients who have become accustomed to buying a certain product or service. This makes planning with input from both customers and employees even more important.

CRITICAL QUESTIONS

Just like putting a business plan together, the marketing plan requires research to find answers to some important questions. Work with the questions in Chapter 1 related to reducing the stress you experience in running your business, and add the following to give you a sharper focus on marketing:

1. **Goals and Objectives:** what goals and objectives do I have for my business:
    - Why did I start my business, do I really want to stay with it or change to something I prefer?
    - Should I let someone else do the marketing?
    - Do I really provide services rather than sell products?
    - Am I trying to be all things to all people, should I specialize in what I am best at?
2. **Market Survey:** how should I conduct a market survey to find out what potential customers really want and the way they prefer to buy it:
    - Who can I hire to help me at minimum cost?
    - What benefits are people looking for in my products or services, and how important is quality?
    - What image do people prefer and will learn to trust?
    - Are my prices or fees out of line, too high or too low?
    - What system of communication is the best way to get the message across?

- When do people buy and where?
- What type of packaging and delivery system are customers looking for?

3. **Business Environment:** what is really going on in my industry:
   - Just who are my competitors and where are they located?
   - Does the future potential in my industry look good?
   - Where are we in the business cycle, is there a recession over the hill?
   - What about the product or service life cycle, has the market matured, are people saturated with buying?
   - How is the competition handling marketing opportunities?
4. **Market Niche:** is the market I am targeting large enough to support my business:
   - Where can I get information to help me estimate sales?
   - Where will the new growth come from in the market?
   - Given an estimate of sales, what do the standard industry ratios show I can expect to earn in this market niche?
5. **Test Selling:** how can I experiment with communication and distribution systems to see which are more effective:
   - Would it be best to sell at the wholesale level and leave direct selling to someone else?
   - Which communication system works best to alert potential customers to my presence?
   - Can promotions work to get people to try my product or service?
   - Is mail order the route for me to go, or should I try selling at trade shows?
6. **Redesigning My HBB:** in light of the information I have gathered to reduce management stress and to develop a successful marketing strategy, what should I change:
   - Do I need to reset some of my goals and objectives?
   - Should I switch from being a generalist to specializing in areas where I have great expertise?
   - What product lines or services will have to be dropped?
   - How should I change my price or fee structure?
   - Do I need to make changes in staffing?
   - How should I position myself in the market, and what image should I foster which will be consistent with that position?
   - How can I communicate a simple, clear message to my customers?
   - How can I sell more effectively?
   - What changes should I make to packaging and shipping?

B. GOALS AND OBJECTIVES

The first step in putting a Marketing Plan together is to review your own personal goals and those for your business. Questions you will need to answer are:

- What are the real reasons you started a HBB: to provide yourself with a living either because you could not get a job or because you did not want to work in a regular job?
- Why have you started this particular HBB, what is the main purpose? Is it because you enjoy being of service, or because you like to do something with your hands, or because you need to earn a living and could not think of anything else to do?
- Will marketing and selling frustrate your attempts to achieve those original goals? Are you prepared to cut your production time in half in order to go out and get the business, or would you prefer to concentrate on providing services or products and let someone else do the marketing?
- What business would you prefer to be in, what type of clients and their needs would you prefer to serve? Should you switch market segments?
- Are you really in goods production or is your business tending more and more to being a service with the products becoming a less important part of the business?

SELLING SERVICES RATHER THAN PRODUCTS

The clear cut lines between providing a service and manufacturing a product are becoming blurred. Many HBBs which start out by providing a product such as vases and other decorative ceramics, often find themselves being consulted more and more about interior design and layout for offices or homes. Even though you expand your line to include curtains and floor coverings, are you still selling products? Have you not really become an interior design consultant selling products required to put your client's plans into effect?

Because of this blurring of roles, this workbook does not distinguish between products and services. With minor alterations much of the information applies to both. If you are a service provider, you may be concerned with the ethics of marketing. Check with your professional or trade association to see what is acceptable. The traditional systems of ethical constraints on marketing have slowly been removed in many trades and professions.

THE NEED TO BECOME A SPECIALIST

Perhaps the most difficult decision you will face is whether to stay as a generalist or whether to specialize. Many small HBBs find it very difficult to turn their backs on the general market, to drop certain product lines or stop providing services even though the market is too weak in those lines to provide an adequate profit for the business.

Perhaps more realistically you have been trying to be all things to all people, and like most HBBs you do not have the resources to attract and service a mass market. Instead, to be successful in marketing, you need to find out which market segments hold the greatest profit potential for your HBB, and focus your resources on the particular segment you can service best.

C. THE MARKET SURVEY REVISITED

One of the major causes of failure for HBBs is not having done an adequate market survey to find out what people really want, and how they go about buying it. If you did not do a market survey before starting your HBB you may want to take Workshop 1 to run through the basics. The steps to success:

- If you hire a market research and analysis firm to do the work for you, it will probably cost between $1,000 to $2,500. Save money by doing the work yourself and you will gain the added bonus of understanding your market at the grassroots level.
- Check out your market survey with the local branch of the Federal Business Development Bank (FBDB) or the Business Development Centre at the nearest Community College.
- Business students at those Colleges are usually available to help you with the market survey. They will do the work for a fraction of the cost of a professional firm, and yet save you endless hours looking up statistics, finding market studies and so on.

If the results are negative, it has just saved you from failing and perhaps losing your capital. Or if you find that the market is already being serviced, you will only be able to gain a share if you offer better service. This is where positioning and image become extremely important.

FINDING THE BENEFITS

- Describing the features of your product or service is easy, finding out the benefits that people are looking for is hard.
- Previous customers can be an invaluable source of information, particularly ones who no longer deal with you. Find out what went wrong.
- Differentiate amongst consumers on the basis of the benefits they are looking for.

In the traditional consumer profile, people are differentiated on the basis of such "demographics" as age, sex, marital status, income and so on. However, if you differentiate on the basis of the benefits, you may find, for example, that lifestyle is far more important.

An employee in a tire store was interested in starting a HBB and began asking customers what they were looking for. He was amazed to find out how many people, from elderly women to busy business executives, were nervous about going to a garage to have their car repaired.

Many people indicated they would find it less intimidating if someone could provide a mobile diagnostic service and come to their house to determine what was wrong with the car, take a few minutes at the kitchen table to explain what needed repairs and provide an estimate of how much it would cost. If that service person could then drive the customer's car to a garage and return it with the repairs completed, these potential customers assured him they were prepared to pay a 15% premium for the service.

PUTTING A SURVEY TOGETHER

People are mainly interested in "what do I get out of it", "what's in it for me", and "how can I benefit". Try to see your product or service through the eyes of the customer:

- What are the key benefits, and what extra service makes all the difference to their purchasing decision?
- Which communication system did they find best for informing them about the product or service, and which was best for reminding them that they should buy?
- How do they like to buy? As in the example above, are they intimidated by going to a car garage? Are they bothered by buying from someone operating out of a home?
- How do they price the benefits? Do they really shop around, or do they just keep using the same seller out of habit?
- How do they judge quality? Is the quality in the product, in the packaging or in the service associated with the purchasing decision? What kind of testimonials work best (for example, do they check with a neighbour before trying a daycare centre)?
- What time of the day, day of the week or month of the year do people prefer to do their shopping? Do mothers prefer, for example, to buy school and children's supplies at night when they do their grocery shopping?
- What type of delivery system do they prefer? Are they prepared to pay a premium for delivery by courier or in person? Do they prefer mail order? (Many older people fear the hustle and bustle of busy stores with slippery floors and escalators.)
- What persuades people to try a product or service the first time? Would they prefer it in the privacy of their home, or in a small group situation where they would not feel so foolish?
- What is the key ingredient that keeps them coming back for more?

THE PERSONAL TOUCH

- Make 10 phone calls a day. Even if you are timid, it is better to give your real name and honestly tell people what you are doing. If you spend two hours a day making 10 phone calls (10 minutes each), and do that for a month, you will have talked to over 200 people.
- Keep your questions simple and make them self-explanatory. Oral explanations sometimes force people to answer the way you want and not the way reality exists in the market.
- Pictures or photographs showing your product or service actually in use are always helpful.
- Always assure people the results will be anonymous and confidential.

D. THE MARKET ENVIRONMENT

GETTING TO KNOW YOUR COMPETITION

While the market survey will provide you with information related to potential customers, you also need information on the general business environment, including your competitors, to make sure there is enough potential to warrant a more intense marketing effort.

- Who are your competitors in the particular market segment you would like to service?
- Do you have copies of your competitors' brochures and annual reports?
- Have you asked for clippings on your competitors which may be kept at your local public library? Have you checked their entries in professional and trade association directories?
- Have you been able to obtain a price list for their products and services? Have you ever bought anything from them, or used one of their services (your customers certainly have)?

ANALYSING YOUR LOCATION

- Get a map and mark in the locations of your competitors. Try to estimate the percentage of the market serviced by each of these competitors and the geographic extent of their potential market.
- Mark the halfway point between competitors based on distance and volume of sales. Join these points to give you rough geographic market areas.

Geographic features that may serve as boundaries include such things as airports, highways, railway yards, rivers, lakes and seashore, parks, golf courses and shopping malls. Zoning systems divide a community into industrial, commercial and residential areas.

- Work up a brief profile for each one of your potential competitors. Estimate their sales and the size of their market share. Determine the market area they currently service in relation to the location of your home.

If much of the growth is coming in an area which is not geographically close to your home, you might have to consider setting up a second outlet away from your home, or a mobile system using a vehicle for pickup and delivery. Are you prepared to work at different hours from your competitor and on statutory holidays?

CHECKING THE BUSINESS ENVIRONMENT

Your marketing plan should take account of the general business environment in the economy.

- What is going on in the general economy, do business writers think a recession is around the corner?
- Is the government tightening the budget? Are interest rates likely to rise? Is your product or service dependent on low interest rates?

- Are there new inventions in your industry?
- Is there an impending strike?

The daily newspapers will provide quite a bit of information, but your own professional or trade association newsletter can be most helpful in terms of hints about how to cope in bad times and how to make the best use of opportunities in good times.

- Is the product or service life cycle mature in the industry in which you are working?

For any product or service there is usually an initial "stocking up" period when people are buying the product or services for the first time. This is followed by a "replacement" or "maintenance" period where sales are much slower and are usually a percentage of the outstanding stock bought during the stocking up period. For example, the market for computers may be approaching saturation, and rather than trying to sell new ones, you should consider offering to repair existing ones or selling software to enhance current computer capabilities.

E. CAN YOUR MARKET NICHE PROVIDE ENOUGH INCOME?

ESTIMATING SALES FOR YOUR MARKET NICHE

Once you have determined the benefits people are looking for and the way they want to have the product or service sold to them, you will need to calculate whether a particular market segment is large enough to support your business.

- Where can you get statistics and reports to help determine the population likely to demand your product or service?
- How fast is the market likely to be growing in the future?
- Have you visited your public library, community college, or FBDB branch? Can you contact Statistics Canada for some census information?
- Has your local radio or television station or newspaper done a market analysis for your community? Is there a brokerage house or marketing agency in Vancouver which may have done a study of the exact market segment you are examining?

Statistics Canada will have population information available by enumeration area which may be as small as 200 households each. Most libraries have copies of the Financial Post's "Canadian Markets" which may provide the kinds of information you are looking for. If numbers are not available for your particular product or service, you may be able to use a close substitute.

A young man wanted to start a HBB to install and repair car stereo systems. No studies were done for his area, but he found he could work with the number of registered vehicles in his community and the new vehicle sales to estimate installation potential. He was able to use the national figures for the number of stereo systems per 100 vehicles to estimate the potential market for repairs.

ESTIMATING NEW GROWTH

Once you have estimated current sales, how would you go about determining the growth rate to see if the market was growing or stagnant for your product or service?

New growth comes from:

- new household formation,
- increased use by each household,
- upgrading to higher quality versions of products or services.

Returning to the car stereo example, the young man set up a system to track the number of new households projected for his community, the number who would be vehicle owners, and the number likely to upgrade to a car stereo system.

DETERMINING THE VIABILITY OF THE MARKET

- How can you determine if this particular market segment will provide enough income to support your HBB?

Once you have estimated the potential sales, subtract the sales currently being made by competitors. Add back the sales you believe you can generate through a good communications program and by the reputation you will develop for excellent service.

The Chamber of Commerce or the local public library will have reference materials which will give you the usual business ratios associated with your potential business. Given an estimate of your potential gross sales, you can use these ratios to estimate the average investment required to adequately service a particular market segment, the expected net profit, and the expected return on that investment. This will help to determine if this particular market segment is feasible.

F. TEST SELLING

Once you have done all the preliminary market survey work, it is time to start test selling. It is important not to try and make a profit during this trial, you are simply testing your market survey findings. Steps to success:

- Do some advertising, and offer people a chance to try your product or service free or for a nominal charge in their homes or offices.
- Put your products on consignment in a store catering to your target market.
- Are you targeting the right group?
- Does the test indicate that there is a genuine need?
- Do people recognize that your product or service can fill that need?
- Which selling system do they prefer?
- Send a neutral person to do the follow-up interview, people will often supply them with valuable information about all the things that are wrong with the product and how it can be improved.
- Test your marketing plan by talking with an expert in another town or community that is outside your market area. Their advice can often be invaluable and yet they will supply it for nothing or for a nominal fee.
- To get wide product exposure and more feedback than a month of survey work, rent space in a shopping mall.

Many malls have monthly theme promotions or trade shows so you will have to check for appropriate dates where your product or service would fit the theme. Space fees vary greatly depending on the traffic flow at a particular mall and the type of clients who regularly shop there. Shop around by calling the administration office of several malls and ask lots of questions. The bigger malls have a catalogue of their promotions throughout the year, you can usually request to be put on their mailing list.

- If you are thinking of marketing through mail order, send samples of your products or complete explanations of your service (bookkeeping, for example) to a mail order house. They are constantly looking for new products and services to sell to their qualified mailing lists.

Occasionally a mail order house may charge you for test marketing a product. Unless it is exorbitant, it is well worth paying the fee to find out if your product is going to fail through mail order.

- Place a small ad yourself, offering more information about your products or services.
- Try mailing the material directly yourself, or through a direct mail delivery service, or arrange to have your brochure included in packages of other products that people buy. If you get over a 5% rate of response to direct mail, asking for more information, you may have a winner.
- Measure any changes in sales as you change advertising or promotion systems.
- Instruct prospects to bring in the ads or the coupons for special discounts.
- Check to see which medium is most successful in terms of the coupons redeemed, and measure the number of inquiries resulting from a special promotion.

G. REDESIGNING YOUR HBB

Once all the research is done, you then have to make some difficult decisions about changing. If you are like most people, you will hate the whole idea of changing. Here are some questions to consider:

- Which product lines or services are most profitable?
- What makes your products or services so special? What were the most important problems identified by clients?
- Are your products and services complementary? What should be eliminated?
- Does your company name and the name of the various products and services you offer really capture the benefits your clients indicate mean the most to them?
- What problems are associated with operating from your home?
- What new machinery and equipment would produce better quality or increase the volume of production? What renovations would upgrade your home? Is the return from the potential increase in sales enough to warrant these investments?
- Would it be better to open up other outlets or operate through other HBBs or relocate to a "main street" address? Can you build up a broker system for sales and delivery? Should the business be made mobile?
- Should you offer a credit plan or set up an account with VISA, Master Charge and American Express so that you can accept these credit cards?

If you follow the suggestions in Workshop 1 you should be able to offer a good credit plan and yet keep your costs to a minimum. In pricing, it is important to make sure you price to the market, and yet have all your costs covered by the resulting revenue.

- Are your prices above the general market level, or could you increase them to the levels set by similar businesses?
- How do clients perceive prices and fees? What discounts should you offer for cash sales or for large volume orders?
- What extra charges should you add for costs encountered in servicing certain accounts such as travel time and expenses and the costs of extra staff?

QUALITY OF SERVICE

- Is the phone being answered courteously, clearly and in an informative manner? How long does it take to return phone calls?
- Are letters being answered promptly, neatly and with the correct grammar and spelling?
- Are customer complaints being dealt with at the right level of expertise and with a quick response? Are there problems with the current billing system and with the credit request system?
- Is the office in your home untidy? Are clients kept waiting?
- What proportion of your active accounts only do a small amount of business with you? Are you afraid to deal with bigger accounts? Which size of account gives you the best profit return?

CHANGING SELLING SYSTEMS

Selling is very much a part of marketing, and you must plan to use the best combination of selling channels to suit the target market and your particular products and services. Some HBBs prefer to use a single selling channel such as consignment, but most end up using a combination of such selling channels as mail order catalogues for seasonal items, professional trade shows for large wholesale orders, and mall demonstrations, home trade shows or home parties for retail sales.

- What proportion of your time and your employees' time is actually spent in selling? How many direct sales calls do you make both in person and over the phone?
- Where do you get your sales leads, through advertising, through referrals or through sales calls?
- Do you or your staff have any sales training? Where is your greatest weakness in selling: in getting leads, in asking questions to determine customer needs, in handling objections, in asking for the order, or in the follow-up?
- What types of sales promotions have you held in the past in the form of: trade shows, seminars or workshops, free consultation for an hour, and invitations to special events?

CHAPTER 3: YOUR IMAGE AND YOUR MESSAGE

A. DEVELOPING THE RIGHT IMAGE

Once you have completed the research for your marketing plan and chosen your market segment, you must then decide what position you want to hold in the minds of your customers. It is essential to remember that you are selling yourself first. People often do not have the time to shop around or to check and see if you really do offer the best quality at the lowest price. Instead, they will base their buying decision on how you present yourself.

- Do you want to be known for quality or for your "good prices"?
- Do you want to be known for your expert advice and the service you lavish on clients or for being the highest volume producer in your market?

BUILDING A CONSISTENT IMAGE

Success in marketing requires the right balance. You only have scarce financial resources to work with, and if you spend too much money in one area, you will not have enough for another. Consistency in your image is more important than striving to be the best in some areas at the cost of being the worst in other areas.

- Are you claiming to offer a "Cadillac" service?

If you do want to have a "Cadillac" image, then the product or service you offer had better be of the highest quality. Your price structure must reflect the higher cost for producing such a service. The way in which you deliver the product, the packaging and the shipping must all be in keeping with the image you have set. And finally, your promotion and advertising must be in the appropriate places and with a message consistent with the position you have chosen.

SEPARATING MARKET SEGMENTS

- Have you found that you need to market into more than one market segment in order to provide enough income to support your HBB?

If this is the case, always change the position and image for each of the market segments. It costs more in terms of name, packaging, pricing etc. but it is essential to keep the market segments separate and not confuse the clients who are looking for different benefits in each segment. For example, sell kitty litter as kitty litter to pet lovers, sell it for drying flowers in a completely different package and with a higher price, and sell it as an oil absorbent in yet another package aimed at a completely different market segment.

POSITIONING WITH RESPECT TO THE COMPETITION

- How can you differentiate between your position and that of the major competitors?
- What is the current phase of the product cycle? Are people still stocking up, or has the market matured into the maintenance and replacement phase?

- Can you position yourself as servicing the after market where you will not be in direct competition with your competitors?

Never try to compete head on. Instead, fill the niche that your competitors have not seen, or which they feel is not worth servicing. Your potential customers cannot tell the difference between your firm and the "rest of the pack". This is why positioning is so important.

- If your competitors are large, can you offer the benefits available when working with a small company:
  - personalized contact,
  - access to management in the company,
  - the ability to tailor services and delivery dates,
  - the cooperative atmosphere which guarantees successful teamwork?
- Is your fee or price structure different?
- Do you provide a different service? Can you get products for customers which no-one else has access to?
- Do you offer free training in how to use equipment you sell?

DEVELOPING THE IMAGE OF AN EXPERT

- Are you really convinced of the need to target your efforts toward a particular segment, while your competitors continue to deal with anyone who walks in off the street?

Customers develop a strong sense of loyalty and trust toward HBBs which make clear that they are very good at doing certain things, and are prepared to redirect customers to other firms which can best assist them in other areas.

- Are you prepared to make simple, specific, and easy to remember promises about your expertise and the degree of service you are prepared to offer customers?
- Do you have the financial resources to occupy and hold this position, and the will to stick with the particular position your research indicates is best for you?
- How can you change the position you hold in the minds of current clients?
- How can you improve customer access to your products and services in a way which is consistent with your image?
- Will you have to change your price and fee structure to pay for the new image and position, and can you do it in such a way as to leave customers with the feeling that the extra service was worth more than the extra cost?

B. HOW TO ADVERTISE EFFECTIVELY

You know what people need, you know what your product or service has to offer, now you must communicate with your potential customers in a manner which is consistent with your position and image.

The first step is to establish a very clear objective for your communications strategy, each medium and each piece of communications work must blend together to reinforce each other. For example, if your ads create the image of a "Cadillac" operation and your home show promotions create a carnival atmosphere, the two systems of communication are in clear conflict.

- Are you trying to create a new market niche by helping people to recognize they have a need which is currently not being fulfilled?
- Do you want to inform people about the benefits of your product or service?
- Are you trying to increase repeat sales or open up a new segment of the target market?
- Are you trying to sell in a different way, such as switching from mail order to a home party system?
- Are you trying to get part of the current market or counteracting the defensive moves of a competitor?

BASE ADVERTISING

Steady, low cost advertising works in a cumulative fashion. It creates confidence in the minds of clients that you are not here today and gone tomorrow. You need this base advertising if you are selling specialized goods or services with a fairly high markup, and trying to build a network of loyal clients who will refer other customers because of reliability and service.

Heavy advertising is used if you are in a highly competitive business with low markups and fairly transient customers. Obviously if you are a HBB you would expect to spend more on advertising because you do not have a "main street" location. People need to be informed about you and have to be attracted to go out of their way to find you.

You are allowed some signage as a HBB, but most municipal bylaws restrict you to a small sign on the lawn. You can always use passive advertising by putting tasteful signs on the side of your van or car. If it is appropriate to your business, sew your logo onto the uniforms used by your employees.

- How do your competitors advertise:
  - Is there a seasonal or weekly trend?
  - Do they have a steady, base advertising campaign with bursts of heavy advertising for certain seasons such as income tax time for income tax services?

DEVELOPING AN ADVERTISING PLAN

The best strategy requires a consistent amount allocated over a clearly defined schedule. Make it a percent of sales, and gear your production and inventory systems carefully to the advertising schedule.

All forms of communication, whether advertising, promotion or publicity, must work together. Advertising sets the stage and informs customers who you are and how you can help fill a need. Promotions are short term, high profile invitations to come and buy, or demonstrations designed to stimulate consumers to try your product or service. Publicity helps to develop your image as an expert and can go a long way toward developing the trust and confidence so necessary in selling.

Set money aside in your advertising budget to take advantage of special situations which you cannot foresee at the moment. Have faith in your market research, and do not switch from one market segment to another.

- Are you covering a local market or are you going mail order across the country?
- If there is a large element of selling using a representative, should you be advertising at all or should you put your money into brochures and other promotional materials to support your distributors?

C. DIFFERENT ADVERTISING CHANNELS

Choosing the right channel for your precious advertising dollars is always guaranteed to increase your stress level! The following table compares each channel to give an overall impression of how each one functions. Probably the most important distinction is between channels that are best at communicating a message and those which are really only good for identifying your business or briefly reminding people what your message is. The next major distinction is between channels which can reach right into your target market and those which are aimed at the general population.

COMPARING ADVERTISING CHANNELS

CHANNEL	MARKET	AUDIENCE	BUSINESS	PRO	CON
Newspaper	single community	general, older, educated	retailers, some services	flexible timing, large audience	cannot target special markets
Magazine	large centres, national	general, special groups	business with target market	special interest groups	inflexible timing, small audience
Radio	single community	youth, commuters, special groups	target youth & commuter markets	target markets, large audience	needs repetition & timing
T.V.	regional, community	youth, seniors, special groups	not special-lized	most persuasive, large audience	expensive, complex, needs repetition
Billboard	community	auto drivers, transit users	tourist, brand names	highly visible message	expensive, brief
Transit	community	commuters, transit users	consumer goods & services	repeat exposure	limited audience

NEWSPAPERS

- Disadvantages:
  - not oriented toward a target market,
  - only have a short life, and seldom passed along.
- Advantages:
  - special interest sections like sports, finance, and entertainment which allow greater targeting,
  - special weekend and feature editions can be targeted more effectively,
  - you can place copy within a matter of hours.
- Costs:
  - charges are quoted on an "inch rate" which is the width of one column, one inch deep (14 lines of copy),
  - rates vary greatly depending on the type of contract,
  - "run of the paper" or specifying sections are the cheapest ways of placing,
  - choosing particular pages or positions on pages will increase costs,
  - discounts are available for frequency of advertising and advertising in bulk,
  - a small fee or no fee is charged for assistance with copy, artwork and layout (plus you must allow more time).

MAGAZINES

- Disadvantages:
  - more expensive than newspapers,
  - copy is required sometimes as much as two or three months in advance.
- Advantages:
  - lower discard rate, high pass on rate,
  - colour and quality of reproduction of artwork are outstanding,
  - magazines are highly targeted for particular market segments.
- Costs:
  - media kits to help explain the procedures of advertising are usually available free or for a nominal charge,
  - staff will help you with copy, artwork and layout for a nominal fee or for free,
  - unless you submit "camera ready" copy, you must pay extra for typesetting and photography the first time an ad is run,

- charges are higher for a format which is different from the rest of the magazine,
- charges are higher for special positions,
- classified ads sell by the word or line,
- fractions of pages are available either in black or white or colour,
- rates vary widely from city to city and depend on circulation exposure in the distribution area,
- local or specialty magazines have a smaller circulation and tend to be cheaper.

RADIO ADVERTISING

- Disadvantages:
  - product or service cannot be illustrated,
  - message is usually confined to 60 seconds,
  - message is lost after it has been heard once,
  - message must be repeated because it is not passed around.
- Advantages:
  - can be highly targeted to certain market segments at certain times of the day,
  - ads can be aired quickly without a lot of lead time,
  - relatively inexpensive for the large exposure.
- Costs:
  - rates vary depending on the community exposure, and the time of day,
  - in large cities prime times associated with driving to and from work are usually much more expensive,
  - advertising departments will help design and put the ad together for a very reasonable charge,
  - discounts are available for "run of the station", bulk purchasing and for frequency.

TELEVISION ADVERTISING

- Disadvantages:
  - as with radio the ads must be brief, they are aired only once, and they require a lot of repetition,
  - sometimes it is difficult to target to particular market segments because of the general nature of audiences,
  - television is relatively expensive for small businesses.

- Advantages:
  - because it is a visual medium, you can use pictures and movies to show action and describe benefits,
  - lead times for preparing and airing ads are quite short,
  - can give you very broad exposure for your business.
- Costs:
  - rates vary depending on the community, the time of day, and the type of program being aired,
  - prime time ads are expensive, some businesses use 60 second ads to inform during less expensive times and 10 second ads to identify and remind people during prime time,
  - pre-emptive spots are available which means you will be given a more favorable spot at a cheaper rate with the chance that your ad may be bumped if another advertiser is prepared to pay for the prime time spot,
  - advertising departments will help design, film and edit the ads for a reasonable price.

SIGNAGE ADVERTISING

Billboard advertising is increasingly difficult to obtain because of the bylaws preventing its use. If it is available, it can provide excellent long term exposure at reasonable rates but is really only useful as a reminder to people. Use a cheaper type of advertising to inform and educate your potential clients about your product or service. Billboard advertising is based on a standard 12 foot by 25 foot picture and the rates depend on the traffic count passing the billboard.

In communities with busses and taxis it is also possible to rent space either inside or outside the vehicle and at bus stops and park benches. Be careful of your image as these forms of advertising tend to appeal to blue collar workers and there is no point in advertising a "Cadillac" product or service using these approaches. Costs depend on the exposure to people, whether signs are placed inside or outside the vehicle or on a bench, and on the traffic density experienced along routes the vehicles will be driving. Don't forget that this kind of advertising is easy to vandalize and deface, especially at bus stops and on park benches.

YELLOW PAGES ADVERTISING

Once you are established as a business, it is best to get a business telephone line which automatically entitles you to advertise in the Yellow Pages. This type of implicit endorsement is important as many people will turn from a direct mail piece and check to see your ad in the Yellow Pages before responding, to ensure you are not a fly by night outfit. Check with your phone company for the various rates and options available.

IN-STORE DISPLAYS

Some retailers and gas stations will allow you to advertise in their store for a small monthly fee. In-store displays are only limited by your imagination. Next time you are in a store or gas station, look around and see what others are doing. Nearly 80% of all purchases of sale items, impulse items and novelty items occur because of displays. Think back to your own buying habits, be honest with yourself, and you will begin to realize the power of display advertising.

PACKAGE INSERTS

Package inserts included with such products as dry cleaning and pizza deliveries, can be a very reasonably priced and effective way of entering a home. Both package inserts and store displays have a strong element of third party endorsement attached to them. Studies have shown that people who would normally throw out direct mail pieces are prepared to read package inserts.

D. DESIGNING ADVERTISEMENTS

By the time a person reaches the age of 18, it is estimated that he or she has seen a minimum of 85,000 advertisements, most of them designed by people who are experts in advertising. Most of the media you will be using will have a special department to help you put your advertising copy together.

If you would prefer to use an independent ad agency or if you are required to submit camera ready copy, keep your costs down by doing as much as possible of the writing, artwork and layout yourself. Then take it to the experts for advice, they will probably only charge a small fee for their suggested changes. It only becomes expensive if you ask them to do everything. Steps to success:

- Keep a file of those advertisements that you believe are especially effective.
- Do not be afraid to clip and use non-copyright artwork, it is an accepted practice and saves a great deal of money. A picture really is worth a thousand words, especially if there are people in it.

WRITING GENERAL ADVERTISEMENTS

- The headline or opening sentence of your ad must convey the basic message, indicating the need and the way in which your product or service can satisfy that need. Studies show that a headline with as many as a dozen words draws as much attention as shorter headlines.
- The basic message which follows the headline must give answers to the usual what, where, when, who, why and how questions.
- Be specific in your wording, and always make it simple and easy for people to contact you for more information or to buy the product or the service.
- Use a relaxed approach, after 85,000 ads, most people are overloaded with harsh messages and welcome the personal touch.
- No matter how proud you may be of your product, the customer could care less. Always sell the benefits of the product, how it will fulfill their needs and desires, and not the features of the product itself.
- Be very careful with the use of humour or comedy, it is extremely difficult to work with unless you have a great deal of experience. A simple sincere message delivered as if you were talking to a friend or relative will penetrate like nothing else.
- Always offer a guarantee. You will find that as long as you really do produce a good quality product or service, less than 5% will take you up on the guarantee.

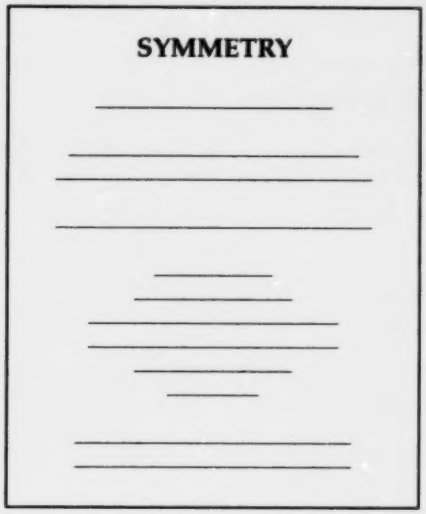
GRABBING AND HOLDING ATTENTION

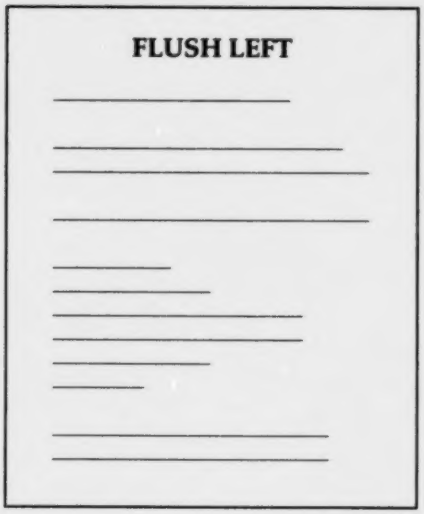
- Use pictures or word pictures to show people how they will benefit. Depending on the medium you are using, you can expect the full attention of the potential customer for about 4 seconds only. Most will never even finish watching, reading or listening to your ad.
- Always caption your pictures, and use photographs rather than drawings: people are attracted by reality.

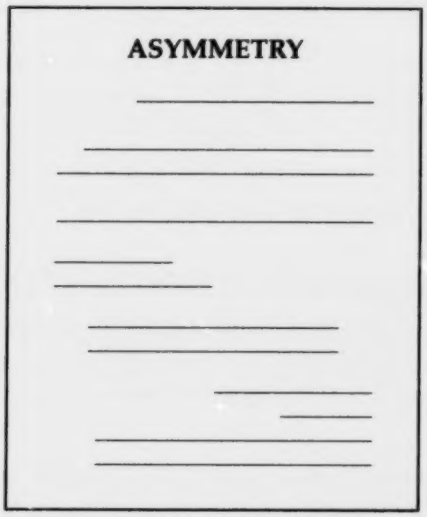
- Use white space in a visual ad, or silence and inaction in a radio or television ad to make them stand out from the general "buzz" of advertising.
- Avoid using ad agencies or media staff who are constantly suggesting new layouts and changes for your ad. If you keep switching between type styles or music or colours, people find it confusing and will stop looking after 4 seconds.
- Your message must be simple and consistent, and it must not be misleading. If you stay within the code of standards set by the Advertising Standards Council of B.C., you never need to worry about being sued or facing court charges.

LAYOUT

The following diagrams illustrate the three most common ways to visually lay out the copy in your advertisement.







TRACKING RESULTS

- Keep records, track both the dollars spent on advertising along with gross sales revenues during the period of the campaign.
- If a particular ad or promotion campaign appears to have strong drawing power, stick with it.
- Develop an overall strategy:
  - Use the newspaper, magazine and long television ads to inform people.
  - Use the radio, billboards and short, 10 second television ads to remind people.
- Do not keep switching media, as it is difficult to track the effects of each one in isolation. Used properly, each medium can play a very important role in your overall strategy no matter how limited your budget.

DIRECT MAIL ADVERTISING

Direct mail advertising is an excellent way to advertise, introduce your business and inform potential customers about your product or service. Unlike the uncertainty associated with general advertising, direct mail provides an opportunity to get excellent feedback on each piece which is mailed out, and to identify which approach gives the best response. The discouraging part is that general mailings usually lead to only 15 or 20 responses for every 1,000 homes contacted.

Once again the image of the mailing piece must be consistent with the position you are trying to establish. Do not send a photocopied brochure around if you are trying to create a "Cadillac" image.

MAIL ORDER ADVERTISING

Mail order selling is described in detail in Appendix 2 of this Workbook and can prove to be an excellent selling channel to supplement other systems of selling. Writing mail order ads while similar in some respects to writing copy for general advertisements differs in that you are asking the reader to take some type of immediate action.

People may be prepared to read a general advertisement for informative reasons, but they will sweep by a mail order ad because they know it will call for a decision to be made and some action to be taken. In order to grab attention with this type of advertising you must use a single word or short phrase:

- Words and phrases like FREE, QUICK, EASY, FIRST TIME, HOW TO..., NOW will grab readers.
- Try using a short statement such as "NO MORE PAPERWORK HEADACHES".

After you have grabbed the attention of the reader, they are likely to give you an average of four seconds of their time and you must explain the benefits briefly:

- Use a headline or explanatory phrase which will appeal directly to why they should want your product or service.

- Use up to one-third of the ad space, keep it simple and easy to understand, for example: "Office-Home Bookkeeping Services will take your paperwork and enter it into the computer program of your choice".
- Explain the benefits in greater detail: for example, "Bookkeeping has to be done, why waste your valuable time doing it, when for a small monthly fee, we can do it for you."
- If you have room for endorsements or testimonials, now is the time to present them briefly (always make sure you have written permission to use such materials).
- Do not clutter up the ad with things written at odd angles or different type faces.
- Stick with a single, easy to read type face, and make use of bolding or capitals to emphasize important points.
- Keep the wording brief, and if you can afford it, include a photograph of someone using the product or service.
- Instead of using flashy promotions and give-aways, offer a money back guarantee instead.

Your goal should always be to aim for a two-step ad where people write or phone for more information rather than buying the product directly. Only those who are seriously interested will follow up, and you can afford to send them a well designed and printed brochure or catalogue.

- Ask the reader to take action. Why should people sit down that minute and mail off the purchase order or request for more information?
- Overcome inertia by using gentle pressure such as "For a limited time only, we will review all your past year's bookkeeping entries for half price, just in time for you to prepare your tax returns."
- Include a mail order coupon but do not make the wording corny or patronizing, just use a friendly, warm style.
- Include your name and address in the body of the ad. Most magazines have a high pass-on rate, and people will not be able to order or send for more information if the coupon has been clipped. Sometimes people are reluctant to clip out a coupon if it cuts into an article on the reverse side.

TRACKING THE AD

Do not forget to put something in the address which will identify the magazine and the issue, so that you can keep track of which ads are pulling in the responses. And even if you have to use a post office box, put your street address in the line ahead. The post office will always deliver it to the box ahead of a street address, and yet the box number on its own makes you look like a fly by night outfit. The street address gives the impression of being established.

CUTTING YOUR ADVERTISING COSTS

Information on the costs of advertising in various publications can be found in "Canadian Advertising Rates and Data" which is available in most public libraries. Ways to cut costs include getting a 2% discount if you pay in advance, allowing "run of the paper" positioning rather than specifying a particular place, and buying an annual space contract.

You can also ask to be put on standby and most publications will contact you just before printing if they have space left over. You can send out a publicity news release and see if you can get into a special section of the magazine or newspaper where new products and services are brought to the attention of readers. You can set yourself up as your own ad agency and ask for the 15% discount which is automatically offered to all ad agencies placing ads.

Some magazines have regional editions and you can ask to advertise in only one or two regions and save money that way. Some publications offer a "per-inquiry" or "per-order" system of advertising whereby the magazine runs your ad free with their own address as the contact. You are required to pay them a fee for each inquiry or a percent of the profit for each order that is placed.

E. PROMOTIONS

Steady base advertising should be used to inform and alert people to your presence and the products or services you offer. But advertising costs money, and you can reduce your overall communications costs by using promotions and publicity to supplement your base advertising.

SETTING OBJECTIVES

Successful promotions require clear objectives designed to steer customers toward making a decision to buy or at least to try out your product or service. This is the time to cut your prices or chop the product or service into smaller, cheaper trial pieces. Steps to success:

- With the first promotion or for first time customers offer them something free such as one hour of free consulting, or a free loaf of bread.
- With the second promotion, or for repeat customers, offer them 50% off.
- And by the third promotion you only need to offer 10% off to get them to try it a third time. By then most customers who are genuinely interested will stay with you.
- Do not restrict promotions to one special week a year, you can have carefully spaced events with a different promotion for each one.
- Stop regular advertising at least two weeks before a promotion in order to distinguish between the effects of the two.
- Contests can be very useful as they generate excitement and leave you with a qualified mailing list.

If your budget is not too limited, you might consider promotions involving such things as give-away T-shirts or sponsoring baseball uniforms which carry your business name. While these do provide an excellent way of getting your name in front of people, they often simply inform people who do not have a need for your product or service, and the results can be disappointing.

- Make sure with service businesses that you have a number of endorsements and testimonials from satisfied customers. In fact, if someone takes the time to write or phone to tell you how satisfied they are, offer to pay back half the costs of the service in return for using their name in a promotion. Most people are happy to agree to such an arrangement.

PLANNING THE CAMPAIGN

- If it seems appropriate, tie your promotion to a particular day or week of the year such as Secretary's Day or Design Week or Klondike Month or whatever day or week is special in your town.
- If you distribute products or provide services supported by national companies or if you hold a franchise:
    - Ask for co-op advertising dollars which can cut your advertising costs in half.
    - Book one of their support people to help with your local promotion blitz.
    - Find out if they can supply promotional T-shirts already made up with the brand logo, display stands or blow-up character figures to be run around town on a flatbed truck.

F. PUBLICITY

You cannot use publicity in place of advertising, but it sure works well if you can run them side by side. That is, write up a press release, and send it in to a newspaper in which you are a small but regular advertiser. The simultaneous publication of a story taken from your news release and the ad you run regularly are a very powerful way to deliver a total message. Steps to success:

THE NEWS RELEASE

Newspapers and magazines require the following format for an acceptable publicity package:

- A one page covering letter.
- A news release of 1 or 2 pages.
- Photographs if available.
- A one page information sheet.
- A one or two page backgrounder on yourself and your business.
- Letters of endorsement from satisfied customers, and copies of any previous newspaper or magazine articles on your business.

WRITING THE NEWS RELEASE

- Keep the information brief and be very accurate as to facts and figures and any individuals involved: never exaggerate. Always establish the impression that you or your staff are experts in a certain area and are willing to be of service in terms of helping or informing people.
- Keep your product or service in the background and only mention it toward the end of the news release.
- This is not an advertisement, you are not trying to sell a product or a service. You are trying to sell your expertise in a certain area.
- Put your name, address, and phone number at the top of the front page either on the right or left hand side.
- If something interesting happens relating to your business, especially if it has a human interest orientation, prepare a story and submit it to your local paper.
- Offer to write a regular column to keep readers informed and up to date on some area in which you are an expert.
- Always keep the approach light and humourous.

Most newspaper stories are written like a pyramid, the first paragraph tells the essential facts about the whole story, and subsequent paragraphs go into greater and greater detail on the bare essentials. Write your news release in the same way, and the editor can cut off later paragraphs without having to rewrite any of the earlier paragraphs. The easier it is for the editor to work with, the more likely it is to be used.

- Always have backup information available in case the editor calls. If you cannot answer a question, say so, and get right back as soon as you have the correct information.

RADIO AND TELEVISION INTERVIEWS

In order to line up radio and television interviews:

- Send a publicity package similar to the above.
- The covering letter should point out why viewers would be interested in you or your business.
- Find a new way of looking at your business which would have strong audience appeal, or offer to do an actual demonstration complete with useful household hints. This will help the interviewer develop an interesting angle for the story.
- Take a one or two page briefing note with you to the studio in the event that the interviewer did not receive or did not have time to read your publicity package. Include a list of suggested questions.
- Relax during the interview and enjoy yourself, do not treat it as an occasion to advertise.
- Offer free information to viewers and listeners, try and keep the interview light and humorous, and do not promote your product or service directly.
- Always make sure the switchboard operator has your business card and some information to help people who call after the show.

If you are polite and courteous, and if the interview is really helpful and informative for viewers and listeners, you will often be invited back. And if you want to market outside your community, you can land an interview on other radio and television shows quite easily if you can refer them to your local interviewer.

DOING YOUR OWN PUBLICITY

While it is possible to hire the services of a publicity agency to line up free publicity events for you, you will save money if you do it yourself. You will also keep better control over your schedule so that you are not spending all your time doing publicity instead of producing your product or providing your service. Alternatively, if the publicity agency is the best route for you, save money by preparing your own publicity package and they will only need to make a few changes before plugging you into their network.

- Never hesitate to give whatever media you are using exclusive rights to the story: your publicity is much more likely to be used.
- Use alternate media, and allow each one to have an exclusive.
- Work out a strategy for each media, targeting for a market segment you are trying to reach. For example:
    - Write a column as a tax expert in the newspaper.
    - Do interviews on bookkeeping on the radio.
    - Explain computer accounting packages on television.

SUBMITTING PUBLICITY MATERIALS

- Go to the library and look for the actual name of the editor or news department people you should send your materials to. The personal touch in the covering letter does make a difference.

- Magazines need two months lead time for publicity, and yet when you send material in, you are never sure whether they will run it next week which may be too early for your purposes. Perhaps a better idea is to send them your publicity materials three months in advance and put at the top that it is not to be released until a certain week or month.
- Always keep your publicity material completely separate from your advertising material. They are handled by different departments for most media, and must not be mailed together.
- If you are doing a mass mailout of publicity materials do not include photographs, just indicate that they are available for those who intend to run the story.
- Try to include people in any photographs. What is even better is to show people actually using your product or service (make sure you get a signature on a release or consent form from the person in the photo).
- Tape the caption for the photograph on the back or along the bottom edge, never write on the photograph itself as modern printing systems will pick up the marks and will ruin the reproduction.
- If you are mailing photographs, stick some cardboard in the envelope.
- If you have sales people, representatives or distributors working in other communities, send them a publicity package which can be used in their local market. Leave a place on the fact sheet where they can stamp their name or staple their business card to indicate that they are your distributor in that community.

DEVELOPING THE IMAGE OF AN EXPERT

If you are nervous about appearing in public, let your business partner or your spouse do it for you. On the other hand, going to a Toastmasters meeting once a week for six months will help to develop your skills in handling public appearances.

- Offer a course in your particular area of expertise through your local Community College.
- Offer to speak at meetings of the social clubs and associations in your community.
- Establish a regular column in your newspaper even if you have to use a ghost writer to write it for you. Use the same writer to help you put an informative booklet together which can really assist people looking for information or guidance in your area of expertise.
- If there is a large company in your community, find out if they have a newsletter and whether they would be interested in having you run a regular column on a topic of local interest.
- If a national expert in your field of expertise is going to be passing through the community, always get them involved. Most will charge only a small fee or a percent of the profit made from such a promotion, and yet their endorsement can do wonders for establishing your image.
- Always give people the information you know they are looking for, but while offering free advice, remember that you are in business to make a living. Leave a gentle reminder that your business is there to be of service in fulfilling people's needs.

CHAPTER 4: A SHORT COURSE ON SELLING

A. ENJOY WORKING WITH THE AVERAGES

If you are like most people, you have not received any professional training in selling, and trying to sell may have proved to be a daunting and frustrating experience. You can take any number of courses to help you and most are very good, but the key to selling lies in your own confidence and in your ability to sell the benefits of your product or service.

People almost always judge you rather than your product or service. If you are enthusiastic about what you are selling, and you go out of your way to help people fulfill their needs and resolve their problems, and if you make your presentation to at least one new person every day, you will never have serious problems in selling. In fact, as you become more experienced, you may actually start to enjoy it!

As with everything in life, people who are successful at selling make it look so easy. But one of the most difficult things to do is to make yourself enthusiastic. If you are afraid of talking to people, join your local Toastmasters or Toastmistress club. Attend once a week for 6 months and you will be amazed at how much fun you will have and how your attitude toward people becomes more relaxed.

There is simply no point in selling if you do not treat it as a challenge and enjoy doing it. One of the ways to make it more fun is to work with "the averages" rather than fight them. Your market survey may have shown that one person in ten has a genuine need or desire for your product. Go and find those people by listening to the nine who do not want your product and service, and politely moving on until you find the one that does.

Frustration and the feeling of rejection set in if you persist in a hopeless situation. Find the right people and then tell them about the benefits of your product or service.

What follows is an attempt to teach you how to make your selling task a little easier. To make it work for you, set up a simple system of reviewing each selling encounter. This will overcome any negative feelings and will help you to drop what did not work.

B. PROSPECTING

Before you can make a sale, you must have prospective customers, and as a HBB the only way to get them is to line up interviews. One of the best ways to do this is to have a well organized, on-going system of writing letters with follow-up phone calls to make appointments. Steps to success:

- Write ten personal letters a week, include a copy of your brochure and explain that you will phone for an appointment.
- Follow up ten days later on the phone and you should be able to determine if the people you have written to are genuinely interested.
- Make an appointment for two weeks in the future and mail out a larger information package to the people who have agreed to an appointment.

It is imperative to be organized and systematic in all your selling activities. Selling requires steady effort every day: writing introductory letters, making phone calls, and visiting people. Set aside time each week to get organized in all your activities. The time spent in planning will pay off in enhanced income because each hour will become more productive.

SELLING THE APPOINTMENT

- Your introductory letter should include literature about your service or product, it should introduce you and explain why you are an expert in this particular field, and it should indicate that you will be phoning sometime in the next two weeks to set up an appointment.
- When phoning for an appointment, do not try and fool the secretaries and receptionists or members of the family who may have been warned you will be calling. Be honest and sincere, get them to help you.
- Never make phone calls if you are upset.
- Always stay friendly no matter how rude the other people become. Many HBB entrepreneurs believe it makes a difference if you are well dressed and sit up straight when making the phone calls asking for appointments.
- Do not make your presentation over the phone, you are trying to sell them on an interview not your product or service. Explain that you need to see them because you have things to show and demonstrate, and testimonials for them to read.

SOURCES OF LEADS

- Do things for other people. If you regularly visit a store where you do a little bit of business, give them some hints about how to improve the selling power of their display windows if that is what you are good at.
- If there are businesses which are complementary to yours, make an arrangement with some of the tradespeople or professionals to either trade the names of good clients or sell them to you for a commission.

For example, people who buy cars may want car stereo systems installed; make some commission arrangement with the car dealer for referrals.

Probably the most important source of business is referrals from satisfied customers. A real estate firm did a study and found that they could expect to sell a house to only 2 people out of 10 who phoned or walked into their office. On the other hand, they found that 7 out of 10 of the people who were referrals from satisfied customers would eventually buy a house from their company.

- Always follow up a referral as soon as possible after getting it. There may be a good reason why those people may be ready to buy, and if you do not sell to them, someone else will.

Never be desperate for leads, and never offer bribes to prospective clients. However, there is no harm in taking a potential customer out to lunch or offering to be of service in some part of their business. This will make them well disposed towards you and mildly obligated. But it must always be done sincerely and not out of an attitude of trying to manipulate people. Perhaps the best rule is: never forget a customer, and never let them forget you.

C. PREPARING THE PRESENTATION

EXPLORING FOR NEEDS AND UNRESOLVED PROBLEMS

In keeping with the whole theme of marketing, the secret to a successful presentation is to find out what the other person wants and then help them find the best way to get it. All of us hate to change, and inertia on the part of a buyer can be very strong. You can overcome this inertia and start enjoying the whole selling process if you can help people discover that they really want some product or service. Once this need or want has been established, your final task is to demonstrate to the buyer why they should have confidence in buying from you and not from someone else.

- Ask questions in a gentle but persistent way rather than making statements about your product or service, this will help to determine if the customer really has a need for it.
- Find out what the key issues are relating to your product or service, and do not be afraid to ask "why".

Even then some people may be afraid to tell you the real reason why they may need your product or service. For example, men may be afraid to admit they want to buy kitty litter to absorb oil in their garage. Women may be afraid you will laugh if they tell you they use it to dry flowers.

- Give customers your complete attention when they are trying to tell you something or explain something to you.
- If they do not have a need, or if they cannot afford to buy, do not try and force a sale.
- If they need something that you cannot supply but one of your competitors can, direct them to where they will get the best service.

Once you have helped your client to discover that they have a need or that there is a way to resolve a problem they have been wrestling with, they will now go and find out how to fulfill that need or buy whatever it takes to resolve the problem. You have, therefore, put yourself into immediate competition with all your competitors. Why should the prospective client buy from you? They may feel mildly obligated because you have helped them up to this point, but you now have to convince them that they should buy from you.

WRITING YOUR PRESENTATION

- In putting a presentation together try to keep it light.
- If you are good at telling jokes, tell one or two well prepared ones.
- A presentation requires showmanship, leave out unnecessary details. While the facts are absolutely essential, people buy for emotional reasons and not for logical reasons.
- Plan a warm-up conversation for those situations where it may be appropriate.
- Use simple words, and make the ideas flow in a logical fashion. Use words that make you feel positive.
- A demonstration is worth a thousand words. Think of all the aids you can use to make a good demonstration. Try and get the client involved.

For example, if you are selling computer software, let them sit down in front of the computer terminal and coach them step by step through the program. If you are in bookkeeping, take their figures for last year and put an income statement together. If you are in interior design, take some curtains, sample floor coverings, and a vase with silk flowers.

- Always introduce the subject of prices or fees before the halfway point in the presentation. Do not be afraid if your prices are higher, stress the benefits. Your prices may be higher to cover the costs of greater expertise, more customizing to the customer's needs, special financial arrangements or better after-sale service.

Questions you should consider in writing your presentation:

- Have you helped the client to discover that your product or service exists and can fulfill a need? Can you help to generate initial enthusiasm?
- Can you overcome initial resistance by talking about the benefits they will derive from your product or service?
- Have you helped the prospective client to grasp the concept, do they understand how they will benefit, can you convert their need into desire?
- Can you stop yourself from dampening their enthusiasm and interest by talking too much and overloading them with too much technical detail?
- Can you answer the client's objections as they start to become really serious about buying? Can you keep the explanations brief while dealing with the objections in a serious manner?
- Can you give them authoritative reasons why they should buy? Can you show them testimonials, test reports or studies which support your product or service?

D. MAKING THE PRESENTATION

REHEARSING THE PRESENTATION

While it is important not to memorize your presentation, you should know it so well that you can concentrate on the signals being given by the prospective client, rather than concentrating on the presentation. When you rehearse, always run the whole scene through your mind as a visualization. This technique has been used very successfully by Olympic athletes to improve their performance.

Do not be afraid to take risks. Work with the averages: you know you cannot sell to everyone. Even if you fail, you will have good, positive memories to replace the negative ones. Just remember that you have every right in the world to be visiting prospective clients and helping them to discover they have a need which you can fulfill, or problems they have wrestled with for years which you can resolve. The most important test as far as the client is concerned is whether you believe this, not whether they believe it.

APPEARANCE

First impressions are made during the first 5 seconds of the interview. Experiment some time by going out into your garden and looking around you for five seconds. Come inside and write down everything you noticed during that 5 seconds. If you are like most people, you may be able to list a full page of things you noticed. This demonstrates why first impressions are so important and why you must be so careful of your appearance.

Dress appropriately. If you are selling a "Cadillac" product or service, be dressed for the part. If you are selling T-shirts and tank tops, wear one. The most successful residential real estate agent in Vancouver has never worn a tie in 15 years of selling and drives a 9 year old station wagon. He sells to lower income families with children and never dresses beneath them or above them.

Wear as little makeup as possible and very understated jewelry. A neat and tidy appearance is much more likely to indicate that you are business like. If you are enthusiastic you will automatically smile and be happy.

DIFFERENT PEOPLE REQUIRE DIFFERENT APPROACHES

Selling in the market forces you to face reality. You may have had all kinds of daydreams about your business and about helping people. But the harsh reality is that most people do not want to be parted from their money. And even if you help them to discover they have a need or can solve a problem, they immediately speculate about who the best person will be for them to buy from. Who do they really trust?

They will generally trust someone tuned into the same channel. The following is adapted from studies outlined in Ed McMahon's book called "Ed McMahon's Superselling" (Prentice Hall Press). Essentially what these studies have shown is that there are four types of people in this world. If you cannot sell to the other three types who are different from you, you are bound to fail 75% of the time.

TUNING IN TO OTHER CHANNELS

Tuning into the other three channels which are different from your channel requires effort, but is easy to learn. The first job requires listening carefully and watching for signs which will indicate which group your prospective client falls into. Practise on your family and friends.

The next step is to choose the presentation style which best suits that type of customer. Practise switching from one channel to another. The results of tuning in and changing your presentation to adapt to these types who are different from you can dramatically alter your success in selling. However, do not tackle the groups which are radically different from you. Start with your own group and perfect your selling techniques with them, and then switch to the next hardest group.

The first way to categorize people is to observe whether they are easy going or like to manipulate the world. If they want to control people and events, we call them "dominant". If they are easy going and have no desire to be manipulative, we call them "subdominant".

The second way to group people is to watch to see which people are empathetic with other people's feelings and which could care less. People who do respect the rights and feelings of others are called "sensitive", and those who believe their own rights and feelings are more important are called "self-centered".

DOMINANT-SENSITIVES

These people are very confident and, while being friendly and polite, tend to be very business like. They usually know exactly what they want and tend not to change their minds. Steps to success with this type of individual:

- Cut the small talk and give them a streamlined, but unhurried version of your presentation with all the facts and figures. Stress the benefits and ask for the order.
- Establish yourself as an expert with credentials to prove it.

If they will not buy, it is hard to change their minds. However, they are easy to sell to if they are convinced you have what they want.

DOMINANT-SELF-CENTERED

These people bark but usually do not bite. They are rude, and will interrupt you frequently to make sure you know they are smarter than you are. They want you to agree with them. Steps to success:

- Agree with them all along, but do not wilt under the barrage of arguments.
- Deal with their objections by trying to show you agree that it could be a problem, but point out how your product or service can resolve the problem.
- Never interrupt them, let them have their say.
- Point out how they could hurt their own best interest if they did not gain the benefits from buying your product or service.

They are always interested in something that will help them personally. Let them discover their need or problem, show them how you can help them, and they will be loyal for life (everyone else is scared to death of them!)

SUBDOMINANT-SENSITIVE

These people are usually delightful. They want to be liked, they are not afraid to talk, and are always friendly. The key indicator is that they will frequently apologize early on in the conversation. They want to please. But they do not like pressure and they do not like cold people. Steps to success:

- Start with small talk, and go through the presentation slowly and steadily without a lot of factual detail.
- Assure them all along the way that you like them, always be friendly and warm. Keep getting back to the personal.
- These people want you to like them, and will buy from you because they trust you, not because you have impressed them with all the facts and figures.
- But do not skip any steps. You must find out if they have a genuine need, and you must get them to tell you their objections.
- Assure them you will still like them no matter what they say about your product or service.

If you have not gone through all the steps, they will be suspicious and will not buy from you. They want to buy but will do so only if they can trust you by knowing you have done everything in your power to establish their need and to explain how your product or service will resolve their particular problem.

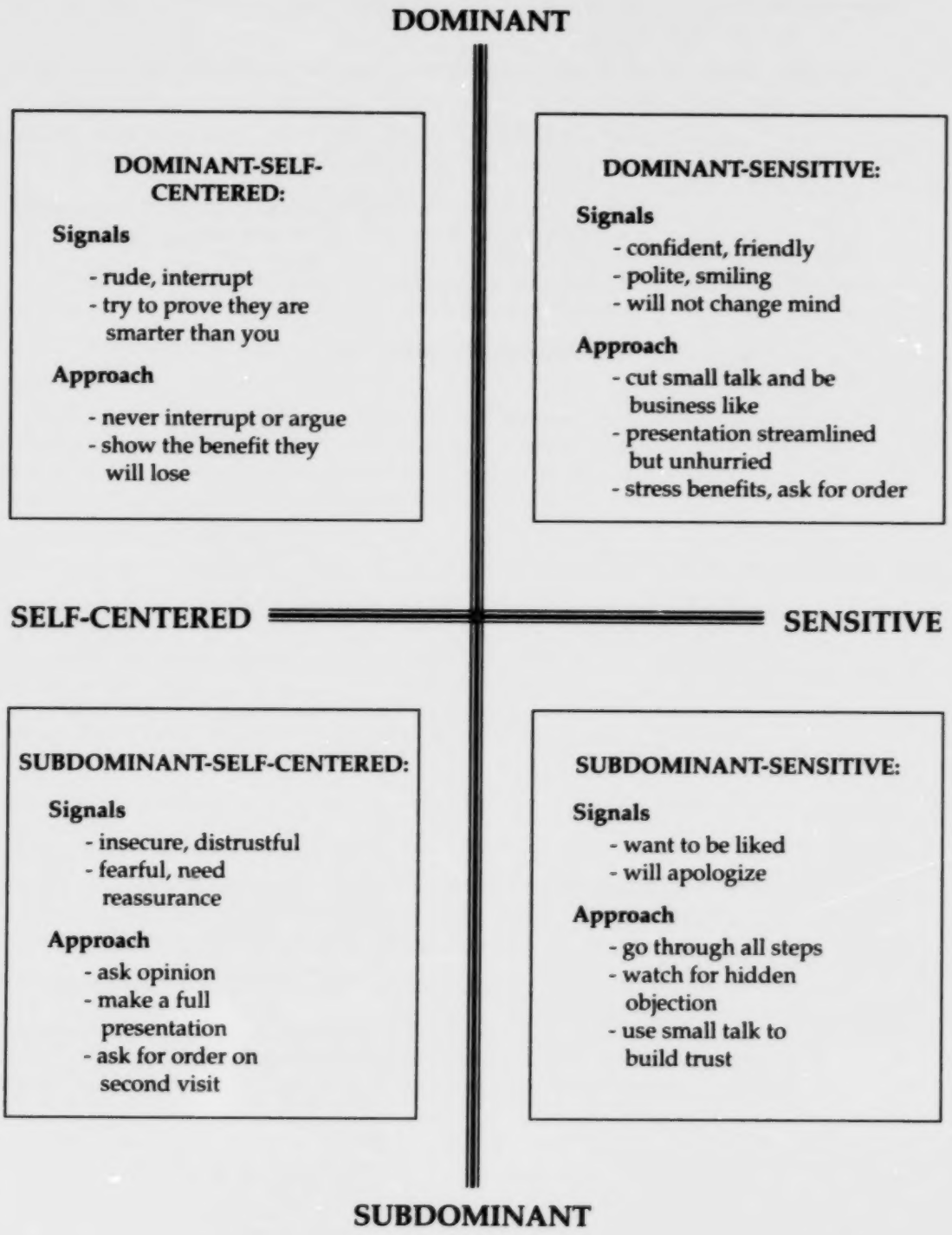
SUBDOMINANT-SELF-CENTERED

These people tend to be insecure, they are distrustful and are looking for reassurance all the time. They tend to be fearful if things are good, in case they suddenly get bad. And they fear bad things in case they get worse. Life is a real strain for them, and they are very fearful of anything new in case it upsets their carefully arranged life. Steps to success:

- Go through your presentation slowly and steadily and keep reassuring them that everything will be alright.
- Do not try and get too close to these people either physically or emotionally.
- If they are the silent type, ask them for their opinion and give them lots of time to reply.
- If they are the type that chatter non-stop, you will have to interrupt, but do so gently by excusing yourself and repeating the point they just made. Try and use such an opening to get on with the next point in your presentation.
- Do not try to close the sale on the first visit. At the end of the appointment, invite them to shop around.

Follow up with reminders, more information, and patient phone calls. When they are ready they will not only buy from you, they will love you for life because they will be afraid to buy from anyone else.

The following diagram illustrates the four major types of individuals, how you can recognize their type and the approach to use in making a presentation.



E. AFTER YOU HAVE MADE THE PRESENTATION

HANDLING OBJECTIONS

You have uncovered a need or a problem that needs to be resolved. You have tuned into your prospective client's channel and have made your presentation to show how you can help them. They may be convinced that it is time to buy, but they are not sure they want to buy from you. This is when the objections start flying. Do not take them personally, even though they are designed to find out whether the customer can trust you. Treat them as a challenge which can easily be overcome with your expertise in the area.

To develop the required trust in the client's mind you must know your business backwards. Avoid exaggeration and stick with understatements. Never pretend you know all the answers, and never knock the competition.

In many cases your competitors have been there a lot longer than you have, and have been providing a much needed service for people. They have built up a list of loyal clients and it is you who are the intruder. Never be afraid to direct someone to a competitor. People will learn to trust you, and when they want something the competitor does not have, they will contact you because they know you have their best interests at heart.

Steps to success in handling objections:

- If you know of a typical objection, bring it up first to defuse it.
- Never argue and never be overbearing.
- The more serious you get, the less the client is sure they can trust you. Try and keep it light, although you must not deal with their objections in a flippant manner.
- Bring on the witnesses. Have written testimonials, studies supporting your product or service, and people you can call by phone who will back you up 100%.
- Try to brush aside less serious objections, but if the client repeats one, you know he is concerned and you will have to answer it.
- Always ask questions to make sure you have understood the objection, and to try and put it into perspective.
- If you have prepared your presentation properly, you will have been building small agreements all along the way to defuse the problem of objections.
- Prices and fees should not present a problem at this stage because you introduced them halfway through the presentation.

The most difficult objection is the one the prospective client will not tell you about. This is particularly the case with subdominant-sensitive people who do not want to offend you. Hidden objections are generally not a problem, however, if you have developed a good relationship and the client has learned to trust you.

CLOSING SUCCESSFULLY

As soon as you have established a need and found out if the prospective client can afford to buy, you should be looking for opportunities to close. Do not be afraid if people say no. If only 2 out of 5 people buy, you are going to hear no 3 times out of 5. By tuning into the right channel and following some of the advice in this workbook, you may be able to increase the chances of a yes to 3 times out of 5. But you will still hear no 2 times out of 5. Steps to success:

- Tune into the right channel: different people like to be closed in different ways and you must develop the ability to slip easily from one close to another.
- Never come right out and ask for the order without offering alternatives.

Many prospective clients will say no with great glee to a blunt request for the order, always offer alternatives which allow them to indicate desire without having to commit to the order if it is too early. On the other hand, studies in the real estate industry have shown that just by asking people if they would like to buy a house, even if they have been giving all the reasons why they should not, the average salesperson can increase sales 50%. This only works if you have qualified the customer and made sure they have a definite need or want.

- Watch for signs which indicate that the client recognizes their need, has developed trust in you, and is starting to really want to buy your product or service.
- Switch to one of your closes, and do not be afraid to ask for the order by offering alternatives.

LET THE CLIENT CLOSE

- Let the customer demonstrate the product or service to you, and let them help you make the sale.
- Do not try and take over, and do not talk too much.
- Assume that the customer will buy. Just proceed through your presentation, ask questions to make sure you understand what they want and any objections they have, and discuss all the heavy details like pricing early on.
- Ask them for the packaging and delivery details required on the order form, fill them in and hand the form over for a signature.

THE FUTURE IS ALWAYS UNCERTAIN

- If the client is fearful about the future, remind them that no-one can predict what is going to happen.
- Demonstrate how you have examined the facts together, how you have come up with the best possible choice given the uncertainty, and why they need to take action.
- Never use fear to fight inertia. Instead use such things as a "limited time price discount", "limited volume" (items are selling fast), or a limit on your time to service them in the future because your schedule is filling up.

LET THE CLIENT LIST THE NEGATIVES

- Make a yes list and a no list. You fill in all the positive reasons why they should buy on one list, put a few negative things down on the other list and hand it over to the client to finish filling in.
- Never gloat if the negative list is small compared to the positive one. Simply assure the client that you realize the negative things probably carry more weight than the positive things in their minds.
- Always hold information back, particularly if you feel you may need some extra ammunition.
- Question them to find out what the key resistance point is and use the information you held back to show how your product or service can resolve the problem. If you feel like gloating, this is a sign that you are treating selling as a game or a battle and have not understood that your main task is to help people come to an important decision.

TAKE ORDERS FOR FUTURE DELIVERY

- Never push people, just go through the steps patiently.
- Keep asking questions and supplying the answers to their objections. Remember, they are judging you.
- If they cannot afford it right now, or the timing is wrong, write up a contract for a future date and assure them that they can cancel at any time. Even if 50% do cancel, you still have 50% more sales than if you had not made up the order form.

THE IMPORTANCE OF FOLLOWING UP

- Do not be afraid to fail, just work with the averages. Even if someone does say no, do not be afraid to follow up a few days later with a phone call.
- Offer them more information, and have all the answers to questions they may have raised.

Studies indicate that 80% of direct sales are made on the first contact, only 20% by a follow up phone call the next day. Nevertheless, you have already invested a lot of time and effort into this prospective client, and the only step missing is for them to say yes. Well timed persistence can often save a lost sale.

- If they still say no to your request for an order, pack up graciously and courteously and leave quickly.
- Never argue, just leave as quickly as you can so that you can go on to someone who will buy the product.

What is of supreme importance is to preserve your self-esteem and confidence in the face of failure. Always hold your head up high, and be proud of the help you have given to other clients.

CHAPTER 5: MARKETING YOUR PRODUCTS AND SERVICES

A. MARKETING AT TRADE SHOWS

Unlike the many trade shows available for HBBs involved in selling arts, crafts and giftware, there are very few investment and trade conventions and expositions available for HBBs selling commercial, industrial and business products and services. Most people attending a business exposition are either venture capitalists or business people looking for joint venture agreements:

- Venture capitalists are looking for attractive small businesses to invest in.
- People interested in joint venture agreements are either looking for someone to market something for them or some product or service which they can market:
    - If your product or service looks promising, they may ask you for exclusive marketing rights either in a province or several states in the U.S. or a specific territory in British Columbia.
    - They may offer you a chance to sign a market licensing agreement which would give you exclusive rights to market their products or services in British Columbia or a particular region of the province,
    - At certain expositions these business people may be prepared to discuss technology transfer opportunities through a licensing agreement, or a franchise or an import/export agreement.

The provincial Purchasing Commission has a "Marketplace" exposition which gives HBBs an opportunity to connect into the public tender system. With large private buyers, it is often a matter of contacting the buying division, making an appointment and putting on a presentation. Only rarely do private buyers for commercial businesses attend trade shows looking for products and services to buy. Exhibiting at one of their conventions or conferences can be very expensive.

CONSUMER PRODUCTS AND SERVICES

In the consumer products and services area, there are large numbers of trade shows, many of which are worth attending. Wholesale buyers and buyers for retail chains come to the better exhibitions to look at the various products being displayed and to place orders for those they would like to have carried by their chain or business. However, there are certain shows you should be aware are not good places to market your product or service:

- Some shows tend to be of academic interest only or for hobbyists. While it is fun to be involved in such shows, there is likely to be very little sold, and even more rarely, large orders from wholesale buyers. People attend because of the festival or carnival atmosphere, and exhibitors are there to show off their latest achievements rather than to sell.
- Certain shows are entertainment oriented, and you may be tempted to exhibit at one of them because of the large numbers who normally attend. However, attendance is high because of low entry fees or because of the big-name entertainers who have been brought in. You will get lots of exposure, but will be disappointed at how little you sell.

- Garage sales are demoralizing places to sell anything as people are simply not prepared to pay very much because they are looking for bargains and know the objects may break or not work.
- Flea markets are definitely a cut above garage sales, but again, the type of customers who attend are only prepared to spend a few dollars trying to find a buried gem.

The kind of trade show with the potential for excellent sales and where you would expect to learn a great deal has certain characteristics:

- It is usually targeted at specific market segments.
- It will have been operating for a number of years.
- The show itself should last for at least two to three days.
- There will be a jury system with a meaningful rejection rate.

Always check with others who have exhibited in the show in the past to see how much they sold. Phone the show organizer and find out if the market segment being targeted is related to your market segment.

PREPARING A BUDGET

Questions you need to consider in putting a budget together for exhibiting at a trade show:

- How are you expected to exhibit?
  - Will tables and chairs and dividers be supplied?
  - Who pays for the floor covering, the curtains, the lighting and the electrical hookups?
  - When are you supposed to set up your display, and when are you expected to have dismantled it?
- If you are paying for half a booth, who will you be sharing it with?
- Do you have to pay extra for a choice location such as being out front or on the corner of an aisle?
- How are you expected to pay for the booth, with a flat rental fee or with a percent of sales or some combination?
- Who is responsible for insurance against theft, damage and fire?
- Are you expected to contribute toward the advertising and publicity for the show? And who pays for the signage for your area and your booth, particularly if it is keyed to specific colours and themes?
- Who is responsible for shipping and storage?
- How much will your own transportation, food and lodging cost? Should you invest in a van to defray food and accommodation costs? Should you haul a trailer for your display and exhibits?
- Should you rent or buy a display?

When you first start, you will not be able to afford to buy a good display. But eventually, if you find trade shows are an excellent way to get your baseload orders for the year, you should consider purchasing a portable, lightweight, and easy to clean display. They vary in price anywhere from $2,000 and upward. As long as they are well constructed, durable, and sturdy when assembled, the cheaper ones are often the best.

- Should you team up with other HBBs from your community to help share the costs? Or should you offer to display and sell their products or services for a fee or a commission?

If you decide the booth rental fee is too high and that sharing is the way to go, make sure you do not share on alternate days. Plan to share the booth together at all times as many of the large buyers tend to look around for the first day or so, asking questions, and making phone calls. Many wait until the last day before placing an order.

SUCCESS AS AN EXHIBITOR

Steps to success:

- If you are no good at interior decoration and display, take a course, or bring an artistic friend along. While the layout is important, the people who will be doing the exhibiting are even more important.

As with so many things in life, 75% of the people attending a trade show will end up at only 25% of the booths. While the initial attraction is unquestionably related to the attractiveness of the layout and design of the booth, it is the personality of the exhibitors which is the key ingredient in making sales and placing orders.

- Write to your list of qualified customers and send out news releases announcing your participation in the trade show.
- Invite the media to interview you at your booth. Or if you prefer, have your picture taken in your booth with crowds of people around, and submit it with a follow-up news release after the trade show.

PUTTING ON A DEMONSTRATION

- If you are nervous about crowds, you may find it easier to set up and operate a demonstration. Not only does this have great drawing power, but it will tend to put you at ease as well.
- Always arrange to have another person handle the public relations work, sign up the orders, take the money, and collect the sales tax while you are doing a demonstration.
- Do not put on too many demonstrations in one day or you will find that people do very little buying because you cannot give them individual time and attention. Instead, arrange to do 4 twenty minute demonstrations every day. Once you have attracted the crowds, you can then give them your attention when the demonstration is finished.

BOOTH LAYOUT

- Make it easy for people to walk in and out of your booth, and to browse without feeling trapped. As long as you wear a logo or some other kind of identification, you never need to worry that people will not find you.

- While it does no harm to ask if you can assist someone, let people come to you.

If you are busy with demonstrating or talking with other people, so much the better. It gives you a more substantive and credible image. At the same time, watch out of the corner of your eye, and if someone has been waiting to talk to you, excuse yourself to the first person and let the new person know you will be with them shortly.

THE PROCESS OF EXHIBITING

- Never sit around reading a book, looking bored, or making a deliberate attempt not to look at people.
- If you are sharing the booth with someone, try to keep chatter to a minimum. Visitors always seem to know if exhibitors are talking with each other, and they are reluctant to break in to ask a question.
- Hand out copies of your brochure, the one you would use for direct mailing with an answer card or coupon which people can clip and mail in for more information or a catalogue.
- Do not hand out your more detailed information or catalogue except to those who express genuine interest in your product or service.
- Always be busy doing something, people love action. This is why a demonstration is so invaluable.
- Remember your image of an expert, try to answer all questions, and if you are unable to do so, take a name and phone number. As soon as you have a chance, find out the information and get back to the person as quickly as possible.
- If you are demonstrating something messy such as making jewelry or polishing stones, it is perfectly alright to wear rough clothes.

What is even better is to wear good clothes under a lab coat or some other coverall that shows you care enough about your audience to dress appropriately, but you have to wear protective clothing. Your image must be consistent. If you are selling "Cadillac" products or services, dress appropriately. On the other hand, do not dress in evening clothes if you are selling outdoor hiking packages or whitewater kayaking expeditions.

ORDERING AND PAYMENT

- Always have an order book or order forms ready.
- Well before the show you should have made the difficult decisions about offering credit. It is usually foolish to give credit unless it is to a wholesale firm which is well known. Credit cards, cash and cheques are acceptable.
- Cheques should be personal, made out by the person whose name and address appear on the cheque, and should not be postdated.
- Be careful when handling cash to leave the person's money lying on the table until you have given change. Then when you are counting out the correct change, you can nod to their money when you give the final total. That way, no-one can claim they gave you larger denominations of bills which are now mixed up with the other change in your cash box.

PRODUCTION SCHEDULING

Often there is a time lag between the time the order is placed and the expected date of delivery. Setting up production schedule sheets similar to the following example can be very helpful. Then when buyers come to place their orders you will be able to negotiate with them to fit their order into a particular point in the production schedule.

- If you are already full for a certain date, say so. Offer to meet the order at a different date, or offer to produce a smaller volume over several different delivery dates.
- If you absolutely cannot fit them in, be honest in your explanation and you may find the buyer is so interested they are prepared to wait until next year's production or be placed on a waiting list to wait for a possible cancellation.

Remember, the key to success is to build up a list of satisfied buyers, not kill yourself trying to meet an impossible production and delivery schedule.

SAMPLE PRODUCTION SCHEDULE

Production & Shipping Dates	Customer/ Order No.	Baskets	Sachets	Table Mats	Toys
Sept: Week 1					
Week 2					
Week 3					
Week 4					
Oct: Week 1					
Week 2					
Week 3					
Week 4					

AFTER-SHOW FOLLOW-UP

- If you are trying to establish a mailing list of qualified people, run a simple contest. After the trade show send a follow-up mailing to all the people who entered the contest or who left their names.
- If you did not do a news release ahead of the show, now is the time to prepare one, complete with photograph, and send it to the media in your community.

MOUNTING A TRADE SHOW IN YOUR OWN HOME

Once you have experience in a trade show setting, you might consider doing a show in your own home, or together with other HBBs in a school gym, community hall or arena. Most communities are not keen on having a retail store operating out of a home, in fact it is illegal in many municipalities. An occasional studio or home show, particularly if it is tied in to a seasonal event such as Christmas, is unlikely to cause problems. In fact, they are often viewed as a type of garage sale.

When you first start, you will have to do all the work yourself, but as you gain experience and confidence, you will be able to hire another HBB to coordinate and arrange the event on a regular basis.

- Do not be afraid to charge an entry fee, it will deter those who are not serious about buying.
- Try to establish the show as a regular event and you will be overwhelmed after a few times by the steady growth in attendance and sales.
- You will need to coordinate the advertising and publicity, the distributing of leaflets and posters, booth decorating and display, and staffing the order and cash sale table.
- If you have developed a mailing list of qualified people in the community, now is the time to take advantage of it by direct mailing the leaflet to that list of names.
- Arrange for publicity articles in the newspaper and interviews on radio or television to generate buyer interest.

B. MARKETING TO PEOPLE'S HOMES

Selling door to door has such a poor reputation that most people are not prepared to try it. If you can handle the rejection problem by having a strong sense of self worth, door to door can be a lot of fun. The reason is that people often do need your product or service and they appreciate the personal touch that comes with someone coming to their home.

Products which sell well at the door are generally ones which require some explanation such as computers, health products, personal and household cleaning equipment and products or services like bookkeeping or insurance. The items should be relatively expensive and unique. The price must offer value but also leave you with a high profit to compensate for the time spent on the road. Do not try to handle anything which is particularly bulky or heavy, or you will get physically worn out.

SETTING UP APPOINTMENTS

If the rejection rate is getting to you, learn to work with the averages by qualifying people ahead of time. Setting up a letter writing routine can work very well. Some people have found that just phoning without having sent a letter also works well.

However, be careful of hiring a telemarketing service which will set up appointments for you through third party phone calls. This approach appears to have reached saturation point: people are so heartily sick of being cajoled into appointments over the phone, that you are more likely to have a hostile reception when you get to the door. Instead, try to do your own phoning and develop a routine which will very quickly identify if there is a genuine want or need.

MARKETING THROUGH HOME DELIVERY

Home delivery of products such as pizza or milk has helped households to realize the convenience of home delivery. Home car repairs using a mobile garage system are becoming far more common. And gourmet meals delivered and served on beautiful linen with dazzling glassware and cutlery are becoming very popular.

Services such as facials and manicures has long been mobile; and there is no reason why bookkeeping and similar office services cannot become mobile, saving people the hassle of trying to find you. People are often glad to pay the premium price to get home delivery, especially older people who cannot get out and about so easily.

DOOR TO DOOR FUNDRAISING

Fundraising is a method of selling your products by working with willing volunteers. Your role is to manage the campaign from behind the scenes. There are all sorts of groups in great need of help with fundraising from the high school trying to raise money for sports equipment to a church group trying to fund a summer camp for kids. Steps in running a successful campaign:

- Make sure your product or service fits the image of the group who will be doing the fund raising for you.
- Make sure the products or services are reasonably priced.
- Produce a simple catalogue accompanied by an easy to use order form.
- Phone schools, churches, community groups, hospitals, and social clubs, and arrange to meet with the volunteer fundraiser and let them explain how they want to run the campaign. This person is the key, and the more it becomes their campaign, the less work you have to do.
- Write up a brief but complete manual on the procedures involved in approaching households, explaining the products, and filling out the order forms.
- The manual should always include a clear breakdown of costs, the profit margins and the system of splitting the profits with the fund raising group: the usual practice is to divide the profits equally.
- Check in with the campaign coordinator every couple of weeks before the campaign.
- Try and restrict campaigns to 2 or 3 weeks at the most, and as the campaign reaches a peak, you may want to check in every two or three days to help solve problems.
- Arrange prizes for the largest volume sellers, and a gift for the coordinator.
- As soon as orders come in, fill them in separate packages with the household name and address clearly marked: the volunteers will do the deliveries for you.
- Make sure you get a copy of the names and addresses of the people who have ordered, it will provide a qualified mailing list for future use.

MARKETING THROUGH A PARTY PLAN SYSTEM

Many HBBs have experienced excellent results selling through a party plan system. It seems to work particularly well for women, but it has also been successful for selling to groups of men. The steps involved in putting a party plan system together include:

- Segment the market by categories such as age, sex and lifestyle:
    - For women: party plan selling works best with products and services oriented toward personal or house care.
    - For men: garden, workshop and sports equipment appear to work best.
    - For seniors: clothing, tools and equipment designed to compensate for age, and toys, books and records which can be sent as gifts to grandchildren.
- Do not work through friends, instead, write or phone to find a host or hostess willing to stage a party in their home for ten people at the most.

- Arrange some compensation for the host or hostess who is throwing the party, and try to get them to qualify the people they invite to make sure there is a genuine need or want for the product or service.
- During the party, give a simple, soft sell demonstration, and let the product or service speak for itself. Do not use high pressure tactics, instead aim for a friendly and happy atmosphere.
- The product or service must be high quality, not easily attainable, and yet offered at a fair price.
- Working with the averages, you will find one or two of the guests will be so interested they would be prepared to throw a party themselves. Describe the compensation scheme, and explain that they are not required to handle the sales presentation.

What you are looking for is someone who can sell for you. Each party will produce at least two more potential hosts or hostesses to run more parties. But it will take five parties before you can find someone who is so enthusiastic about the product or service that they are interested in selling.

- Train the people who show an aptitude for selling, and set up a party system whereby they do the selling with a view to lining up sales people under them.

There is no need to establish a formal sales training program, the easy atmosphere and the simplicity of the demonstration make it a relaxed way to sell. Many part time people will eventually come forward and you will have built a sales force to work for you. Let the first salesperson manage it for you unless they are good at selling and poor at managing in which case you will have to look for a manager amongst the people attending the parties. Once you have set the system up and have a manager arranging things, you can return to full time production.

C. MARKETING TO GOVERNMENT AND TO LARGE CORPORATIONS

Both the federal and the provincial governments are most anxious to purchase from small businesses as they often provide the same or a higher quality good or service at a better price. Governments are also well aware that most of the jobs in the last 20 years have been produced by small businesses, and they want to promote and support the small business sector.

All three levels of government now account for over 40% of the spending in Canada, to ignore this kind of buying power cuts your potential market almost in half. And many large corporations and private institutions are larger than some state and provincial governments. Because of their size these large private sector purchasers are forced to follow procedures very similar to governments. The explanations in this section apply equally to large corporations as to governments.

LANDING A CONTRACT

The government purchasing system has deliberately been set up to make it easy for small companies because it has been estimated that 90% of federal contracts average less than $9,000 each. Because of the bureaucracy of large corporations and governments, however, you can expect it will take a lot longer to land the first sale. Steps to success:

- Contact your local provincial government agent to find out how to plug into the British Columbia Purchasing Commission system.
- Phone the nearest federal government office and ask for the phone number for the Department of Supply and Services (DSS for short). Ask for their directories listing products and services they are looking for.
- Ask for lists of past contracts to get some idea of the terms and conditions and the types of things governments are buying. This is certainly available at the federal level and for most provincial governments, but some municipalities may not have such a system in place. These lists can also be an important guide in helping you to set your bid prices.
- In order to be invited to submit a bid, you must fill out an application to get on the bidder's list. In the future, you will automatically be contacted each time something in your area comes up for tender.
- Some ministries and departments use a system of direct negotiation, send them your literature and follow it up with a phone call asking for an interview.
- Always follow up the interview with a mailing package and covering letter, thank them for the chance to demonstrate your product or your expertise, and re-emphasize the points which were of critical importance to the buyer.
- When preparing a bid for a government contract, include a news release emphasizing your role in the community, and the way the contract you are bidding on will create jobs and generate economic activity.
- To reduce fears that you may not be able to produce the product, for the contracted delivery date, and to the right specifications, send in your business plan and cash flow projection. What is of concern here is your ability to produce and not your ability to market, the market survey is not necessary.

- Find out how to purchase a performance bond through your insurance company, if this is required to land a contract.
- If you have contacts, testimonials and endorsements, send them in as well and invite the tendering agency to contact any of them.

SPEEDING UP PAYMENT FOR CONTRACT WORK

Be aware of the penalty clauses which can be imposed for late delivery or for products which do not meet certain contract standards and specifications. Always make copies of everything you send in.

Most large businesses and governments try for a 30 day turnaround for paying on invoices submitted by a contractor. But they will sometimes go as long as 90 days. It is useless to sue as you will get bogged down in paperwork. What is of critical importance is to know exactly how to bill, what paperwork is required and by what date.

What takes the time is making sure all the paperwork is in order before the cheque is sent to you. It is your responsibility to make sure it is done in a satisfactory way.

There may be some techniques you can use once you are used to the system. For example, "2% off if paid in 10 days" really works, if your paperwork is in order, simply because many buyers for large organizations are required to take advantage of any and all discounts. Do not fuss if it takes 30 days for them to pay. At least it has only cost 2% to get payment in 30 days instead of what you would lose in interest on working capital if it took 90 days.

MARKETING TO MEDIUM SIZED BUSINESSES

There are many medium sized companies operating in British Columbia which do not have the time or money to shop around the province. They are approached on a regular basis by sophisticated foreign salesmen who convince them it is easier and cheaper to import.

And yet there are many small and home-based businesses which can offer the same quality or better at a lower price, and with better service, right within the province. Import replacement is a good way to start because many companies feel a little guilty about importing, and would prefer to buy locally if possible. It also enhances their public image.

As with selling to anyone, you must produce quality at a competitive price, and be able to meet delivery deadlines. When trying to replace imported goods you must reassure corporate buyers that you have the ability to fulfill the contract, at the correct specifications, and within deadlines. They very much appreciate your ability to tailor the products or services to suit their needs better than an importer selling mass produced products. But they are also concerned with your follow-up: can you service and repair whatever you have sold to them?

DIVERSIFYING YOUR MARKET

One great advantage of becoming a supplier to businesses and governments is that once you have proved your worth, they will keep buying from you for years because they simply do not have the time to keep breaking in new people. However, do not become complacent, these buyers are sensitive to pricing, quality and speed of delivery, and will have to answer to a board or committee if you let them down.

No matter how attractive it may be to become a supplier to a large company, do not stop selling to other companies or directly to consumers. The buyer for your largest account can be transferred and you may not get on well with the new one, or the branch of the company located near you may be shut down. You may also be squeezed into offering price concessions which can damage your profit performance, simply because the company knows you have become completely dependent on them.

D. MARKETING AT THE WHOLESALE LEVEL

If you are the type of person who finds it difficult to work with people either because you are afraid of them or because you often become too aggressive, it is possible to overcome these problems by taking a course in assertiveness training. Studies indicate that many people have either a "fight or flight" reaction when dealing with other people. Because of the emotional basis of these reactions, it makes it difficult to sell and to handle objections from potential buyers no matter how legitimate they may be.

Assertiveness courses will teach you how to use the non-emotional, reasoning centres of the brain. The results can be very gratifying, and many students find that they can overcome their people handling problems by practising new, assertiveness techniques.

If you still find it difficult to sell directly, it might be best to hire someone to actually do the selling for you or to sell to buyers at the wholesale level. It is important to understand a little about wholesale pricing: if an item sells at $27 retail, it generally was sold to the retailer for $13.50. That is, the retailer tends to add a 100% markup. The wholesaler who sold it to the retailer generally has a 35% markup which means that they bought it from the producer for $10.

In some businesses where the items are moving very quickly, the markups can be a lot smaller. And for slow moving, specialty items, markups could be a lot higher. In Workshop 1, participants are trained how to price using a market approach which is then adjusted to cover all costs. While it is certainly preferable to do this type of pricing it is as well to be aware of the returns wholesalers expect for their efforts.

WORKING WITH MANUFACTURERS REPRESENTATIVES

Manufacturers reps are simply independent sales people who already carry a line of products which they sell to small and large retailers all over North America. These people do all your sales work for you, they carry samples, and will demonstrate your product to their list of retailers who purchase from them on a regular basis. Steps to success:

- Offer to pay by commission only, you are not expected to pay them a salary. The usual commission runs around 15% to 20% of your wholesale price, not your retail price, and while you should negotiate the best commission you can from your point of view, the lowest is not the best because you want the rep to be well motivated.
- Once a sale is made, pay up to one third as a partial advance on the commission, and the remainder when you have received payment for the shipment.
- Never cut the commission rate even if the rep is making a lot of money in commissions. You do not want to reduce their incentive, and just think how much time they are saving you by doing the selling.
- You are expected to supply the advertising, publicity, and any selling tools the rep may need such as displays, samples, and other promotional materials.

Really good manufacturers reps are as difficult to come by as good suppliers of raw materials, particularly if you are a HBB. How do you find a good one? If you do the usual advertising and publicity for your product or service, and it starts to sell well, they will often approach you. Or if you exhibit at a trade show, they will come and inspect your wares and attend your demonstration. If they believe you have a winner, they will approach you.

Occasionally you will see a rep advertising in a trade journal, or you may find a bulletin board at a trade show with business cards for manufacturers reps posted.

- If you are exhibiting at a trade show, have a special bowl set aside with a notice asking manufacturers reps to drop their business cards into the bowl.
- Advertise in trade journals, asking manufacturers reps to call you. Alternatively, you can send for a listing of names from one of the national associations of manufacturers reps for the different industries.
- Once you have contacted a good rep, show them your marketing plan, your business plan and cash flow projections. Offer to show them around your home to have a look at your setup to convince themselves they are not representing someone who cannot follow through.

If they sense that you have a winner, and that you can follow through with the production and the delivery scheduling, they may consider carrying your product. Always keep them informed of what is going on in the business.

- Only offer an exclusive on your line of products for a year or 18 months at the most. At the end of that time, you will know for sure whether the rep is any good, and your product will have established a track record.

Eventually, if the system develops well for you, you will want to specify such things as sales targets and length of contract in addition to territory. Contracts should not run for more than 2 to 3 years as your business may change or the rep may falter. Other issues to keep in mind when drawing up a contract:

- Are you responsible for supplying advertising, publicity, and promotional materials such as displays and give-aways?
- What is the geographic extent of the rep's territory, and what industries are they restricted to selling in?
- Do you want the rep handling competing product lines?
- Should you have a cancellation clause in the event that the rep goes through a personal crisis which renders them ineffective at selling?
- Do you want to set sales targets?
- Who is responsible for order taking, billing, and shipping?
- Who is responsible for returns, credit collection, and repairs and servicing?
- Is the rep responsible for their own travel expenses?

Do not burden the rep with a lot of paperwork and complicated procedures. They are designed to sell and will do a great job. They are also an invaluable source of information on customer reactions to your product. Most reps will supply you with the names and addresses of potential customers so that you can follow up with catalogues and direct mail information. A mailing list is important: if you lose a rep, at least you have a list of all the customers who are interested in your product.

MARKETING TO DEPARTMENT AND CHAIN STORES

Particularly in smaller communities in British Columbia, you will encounter problems trying to sell to department stores or hardware and convenience store chains which have their headquarters outside the province, and have all their buyers concentrated somewhere like Toronto. While it makes it difficult, it is not impossible to sell to these people. Steps to success:

- Get the name of the buyer and mail your brochure and catalogue to them.
- Follow up with a phone call and find out if they are interested in receiving samples.
- Send more literature with the samples, and a written explanation of your product. Include your market research, business plan and cash flow projections.
- Follow up with a second phone call. And if the buyer sounds really interested, offer to fly to their headquarters. In most cases they will arrange to meet with you when they are next in Vancouver.

Questions running through the minds of buyers for these large retail stores and chains include:

- Is this product a winner and will it be easy to sell? What evidence is there that it has sold well in the past? How does it fit into my current product line?
- Can I trust this HBB to have the ability to produce in the volumes required if it is a good seller?
- What type of pricing structure are the market results dependent on? Can I add a 35% markup and will my retailers be able to add a 100% markup and still have no trouble matching past marketing success?
- Should I wait until the HBB has established a selling record for this product and agree to meet with the seller again at that time?

Listen closely when working with these buyers as they often have an uncanny sense of the market. Even if they are not willing to buy initially they can give you invaluable advice on the best tactics for marketing your product.

Try not to be desperate for the order or you may get backed into a corner in terms of discounts that will hurt your profitability, or consignment arrangements which will cost you plenty in terms of financing inventories.

- If the decision has to go to a higher level, offer to give the presentation yourself, otherwise you will have to train the buyer how to make the presentation for you.
- If you keep your original presentation to half an hour or less, and stand up when you have finished, they will not be afraid to let you make a short presentation to the next level up.

One choice you may be presented with is the option of having your product carried but under the store's brand name, not yours. They will repackage the product to match the image they have created, and to complement their other lines of store brand products. While this selling will do nothing for your image, and some people may refuse for that reason alone, it is a way of making money out of one or more of your products. And the volume is usually high enough that it warrants careful study.

MARKETING TO SMALLER RETAIL STORES

Steps to success if you are approaching a chain where each store is its own buyer:

- Get hold of the mailing list of managers' names and addresses and use a direct mail system.
- Only offer to do a presentation if the store is particularly large or if it is a key, leader store in a particular area. In those cases if you can get your product on the shelf, all the other stores in the city will follow close behind.
- Check at the public library or contact the Retail Council of Canada to see if you can obtain a copy of the names and addresses of the various national retail and franchise associations that exist.
- Mail your materials to them, but always try to get an appointment to make a personal presentation to local members of the association: if you have a winner, word spreads fast within an association.

In larger cities many smaller stores and chains buy through a type of wholesaler who is like a collective buyer for them. A single buyer can get large discounts for these stores which trust the buyer's judgement in purchasing. If you can make a presentation to one of these wholesale buyers, it can be invaluable to your business if they accept your product.

CONSIGNMENT SELLING

The problem with consignment selling is that the proprietor of the store has no vested interest in looking after the products you have put on the shelves nor in trying hard to sell the product. Title to the goods stays in your name until they are sold, and yet you have very little control over displaying and replenishing stock.

One of the most common experiences with selling on consignment is that things seem to sell very well for the first two or three months, then sales slump and the store owner starts moving the items into out-of-the way places. They make their living from items which move quickly and carry a good markup. If something slows down, they will move it to a part of the store where there is less traffic. And like a self-fulfilling prophecy, sales slow down even further, until the owner starts storing your items in their warehouse.

Needless to say, consignment selling is only recommended when you are first starting out. Questions to consider while negotiating a contract include:

- Who is responsible for theft and damage? Will the store owner agree to providing the remains of broken goods?

This is done to ensure the store owner is not selling items on the side and then claiming they were broken and thrown out.

- Can you split the losses on thefts to motivate the store owner to be more vigilant?

It is very important to try and put the responsibility onto the store owner, even if it means allowing them a greater share of the profit. Most retail stores experience a 10% rate of theft, and studies indicate that half of that is from internal theft by the store's employees. If the store owner is made responsible, they are likely to be more vigilant.

- Will the store owner allocate prime shelf space to you, and do you have the right to replenish and keep it neat and tidy?

- Once the regular clientele have purchased some items, can you negotiate the rights to replace the old stock with new?
- Will you be permitted to double up on display space during the Christmas season and during the tourist season?
- Can you negotiate to pick up your share of the profits once a month for items paid for in cash during that month?

Profits on items bought on credit will have to be delayed for 30 to 60 days.

RACKJOBBING

Very like consignment selling but with far greater control over the way in which your product is displayed, rackjobbing can be an excellent way to make a living. Anything which can be packaged so that it can be hung on a rack, or fitted into slots in a display is ideal for rackjobbing. Some service providers are now printing and packaging a brochure together with a coupon for such things as a set number of hours of bookkeeping or keep fit classes and selling them from racks. The purchaser is entitled to so many hours when they present the coupon. The store owner gets a percent of the fee that the purchaser pays at the checkout counter.

Steps to success:

- Set up racks or displays of your products in different stores and then set up a route which will only take two days a week to service.
- Go from store to store each week and replenish the items which have been sold.
- Once a month pick up your share of the profits for the items which have sold.
- Train another member of the family or hire and train a young person to replace you on the rackjobbing route. There is no presentation necessary, so they do not have to be trained to meet the public, and some young people have a real flair for arranging displays and racks.
- In signing an agreement with the store owners:
  - keep in mind the points under consignment selling,
  - specify clearly the location of your rack or display, and try to negotiate for a high traffic area,
  - during the tourist season and the six weeks leading up to Christmas, request twice as much display area as usual.

Store owners like rackjobbing as they receive a share of the profit and yet do not have a lot of capital tied up in inventory. This is the main disadvantage from your point of view, you have a lot of your working capital tied up in inventory which may not move in certain stores.

- Do not contract with too many stores in one community because you will simply tie up a lot of inventory and no more will be sold each week.

VENDING MACHINES

Vending machines are similar to rackjobbing except that you are not involved in the servicing and replenishing. Although you are forced to conform to certain sizes for products, vending machines provide one way of producing low volume, steady sales. The introduction of the new one dollar coins will allow higher prices to be charged, and vending machine companies are expecting a large increase in volume and in the types of products which carry a multi-dollar price tag. Some success has already been experienced with using vending machines to market services packaged with a brochure and a coupon.

E. MARKETING THROUGH MAIL ORDER

Because it is so specialized, mail order marketing is described in greater detail in Appendix 2. Many successful HBBs have specialized in the mail order business because they have been able to grow into it slowly while the major wage earner has continued to work at a full time job.

- Rather than making mail order a full time business, use it as a selling channel to supplement other selling systems such as consignment or selling through people's homes.
- To avoid the inevitable problems of contacting large numbers of people who are simply not interested, work toward building up a list of qualified buyers who have learned to trust you by buying from you in the past.
- Avoid a "one-step" campaign which usually involves direct mailing a brochure or placing an ad inviting people to order something directly from you by mail or by phone.

Move to a "two-step" system which first includes a direct mailing piece or ad inviting people to send for more information (usually a catalogue or brochure with price list). Only those who are genuinely interested will ask for further information (saving on the costs of printing and mailing out expensive brochures and catalogues). People who want to buy will take the second step of ordering. The response rate in terms of orders from people who ask for your catalogue or brochure is substantially higher with the two-step system.

- If the mail order side of your business proves successful, turn your brochure or information piece into a catalogue. This has the double advantage of having a broader range of products or services to offer to those who send for more information as well as providing existing clients with more and more for them to buy from someone they trust.
- If you live in a large city you may find that direct mail using a flyer marketing agency is the best way to reach potential customers. If you live in a rural area, you may be forced to advertise in newspapers and magazines in order to get the kind of exposure needed to find those who are genuinely interested in your product or service.
- Time your advertisements or mailouts so that you can gear your production and shipping to match the incoming orders.

APPENDIX 1: CASH FLOW PROJECTIONS

A cash flow projection is one of the most valuable tools a business can have: it helps monitor your monthly cash position, and provides estimates of your business income and expenses over the next 12 months.

As soon as you can afford a computer program or the bookkeeping services to do a monthly cash flow projection, it will provide an invaluable management monitoring tool. A new cash flow projection should be done at least quarterly to help you forecast your need for external financing both for working capital and for fixed assets. Lenders usually require a monthly cash flow projection which is revised and updated at least semi-annually.

A. PREPARING AN INCOME STATEMENT

The following will serve as a quick review of how to do an income statement. The information and tables are taken from Workshop 1.

The components of an income statement include:

- Total sales revenue, the price per item times the number of items sold gives the revenue or income.
- Cost of goods or services provided, this is a variable cost associated with producing the good or service and includes cost of raw materials, merchandise, the direct labour associated with production, and any other goods used in production or to deliver the service. Delivery charges are usually included in this figure as well.
- Gross profit, equal to total sales revenue minus cost of goods. Margin is always calculated as a percentage of sales, markup is calculated on the basis of cost of goods sold. If the cost of goods sold is $300 and you sell the item for $1,000, your margin is 70% ($700 as a percent of $1000), but your markup is 233% ($700 as a percent of $300).
- Operating expenses, these are the fixed costs associated with being in business.
- Net profit, equal to gross profit minus the operating costs minus income taxes payable.

FINANCIAL INFORMATION FOR SALLY'S SACHETS

Sachets

Sally can manufacture and sell 6,500 sachets a year at $3.75 at the wholesale level (suggested retail price: $7.25).

- Cost of labour is estimated on the basis of 6 sachets per hour at a cost of $6 per hour (including benefits) which results in $1.00 per sachet.
- Cost of materials (fabric, potpourri, ribbon, etc.) is estimated at $1.20 per sachet.

Baskets

Sally can sell 1,800 small baskets at $9.95 at the wholesale level (suggested retail price: $19.95).

- Cost of labour is estimated on the basis of 3 baskets per hour at $6.00 per hour (including benefits) which results in $2.00 per basket.
- Cost of materials for finishing the baskets totals $4.05 per basket.

Fixed Expenses

Advertising - brochures, business cards, telephone directory	$ 80/ Month
Telephone and Answering Machine	$ 70/ Month
Travel Costs	$ 50/ Month
Licenses	$100/ Year
Business Insurance	$400/ Year
Office Administration (including bookkeeper) and supplies	$ 75/ Month
Professional Fees (accountant, lawyer)	$800/ Year
Sally needed a total personal income of about $1,500 per month which she estimated would come from	
labour costs:	$842/ Month
and management salary:	$667/ Month
Miscellaneous Expenses	$ 30/ Month

SALLY'S SACHETS

Income Statement for the 12 Months Ending:

Sales		
Sachets (6,500 x $3.75)	$24,375	
Baskets (1,800 x $9.95)	17,910	
Total Sales		**$42,285**
Cost of Goods Sold		
Labour:		
sachets (6,500 x $1.00)	$ 6,500	
baskets (1,800 x $2.00)	3,600	
	10,100	
Raw materials:		
sachets (6,500 x $1.20)	$7,800	
baskets (1,800 x $4.05)	7,290	
	15,090	
Total Cost of Goods Sold		**$25,190**
GROSS PROFIT		**$17,095**
Expenses:		
Advertising	$960	
Telephone	840	
Travel	600	
Entertainment	600	
Licenses	100	
Insurance	400	
Office Administration/ Supplies	900	
Professional Fees	800	
Management Salary	8,000	
Miscellaneous	360	
Total Expenses		**$13,560**
NET PROFIT		**$ 3,535**

B. CALCULATING CASH FLOW

A cash flow projection generally has four sections:

1. Cash in, which lists all the income from the sale of the products and services. Only income generated by sales (or accounts receivable which are paid) is included in this section. Income resulting from financial transactions is listed in the Balance Sheet Items.
2. Cash out, which forecasts the cash to be spent for cost of goods sold (also called variable costs) and operating expenses (also called fixed or overhead costs).
3. Cash Flow Reconciliation, Operating Cash is calculated by subtracting Cash Out from Cash In. The surplus is calculated by adding operating cash flow to the opening cash balance. The opening cash balance is simply the closing cash balance from the previous month.
4. Balance Sheet Items, includes the results of various financial transactions. The proceeds from sales of fixed assets are added, purchases of fixed assets are deducted. Proceeds from any loans are added, and any principle payments on outstanding loans are deducted.

WORKSHEET EXPLANATIONS

Cash In lists the cash received from sales of sachets and baskets. Cash Out lists the variable expenses or cost of goods associated with labour wages and raw material costs. It also includes each month's proportion of overhead or fixed expenses.

Operating Cash Flow is simply Cash Out subtracted from Cash In. It is an important indicator of when the business starts to operate profitably. Opening Cash Balance is simply the closing cash balance from the previous month. In Sally's case it would be the cash balance for December 1989.

To keep the example simple, it is assumed that Sally already owns all her equipment and does not have any loans, so the Closing Cash Balance is the same as the Surplus in her case.

CRITICAL FIGURES

The sum of Total Cash Out, Fixed Assets Bought and Loan Payments produces a figure which is very important as it determines the maximum amount of money that is needed to pay all costs associated with running the business including variable, fixed and financial.

The figure for Operating Cash Flow is of critical importance to the lender because it indicates the point at which the business stops drawing on outside funds and starts to "support itself". The Deficit (if there is one) is an indicator of the amount of cash required to finance the business over and above the cash generated by the business itself.

If there is a deficit in the Closing Cash Balance, it indicates a need to sell some assets, negotiate a loan or increase an existing loan. The only other route open is for you to cut your management salary. This is a dangerous practice as you need money to live on, and more than three months without a management salary will force you to draw money from the business in some other way.

1990, MONTHLY CASH FLOW PROJECTION FOR SALLY'S SACHETS

	January	February
CASH IN		
Revenue from Sachets:	280 units X $3.75 = $1,050	840 units X $3.75 = $3,150
Revenue from Baskets:	50 units X $9.95 = $498	300 units X $9.95 = $2,985
Accounts rec. collected	0	0
TOTAL CASH IN	**$1,548**	**$6,135**
CASH OUT		
Cost of Goods Sold (Variable Costs)		
Labour	$380	$1,440
Raw materials	741	2,223
Total Variable Costs	1,121	3,663
Operating Expenses (Fixed Costs)		
Advertising	80	80
Telephone	70	70
Travel	0	75
Entertainment	2525	
Licenses	100	0
Insurance	0	0
Office Admin/Supplies	75	75
Accountant Fees	0	800
Miscellaneous	30	30
Accounts payable paid	0	0
Management salary	667	667
Interest paid on loan	0	0
Total Fixed Costs	1,047	1,822
TOTAL CASH OUT	**$2,168**	**5,485**
CASH FLOW RECONCILIATION		
Operating Cash Flow	(620)	650
Opening cash balance	3,000	2,380
SURPLUS (OR DEFICIT)	**2,380**	**3,030**
BALANCE SHEET ITEMS		
Fixed assets sold		
Fixed assets bought (deducted)		
Loan proceeds received		
Loan payments (deducted)		
CLOSING CASH BALANCE	**$2,380**	**3,030**
BANK LOAN BALANCE	**0**	**0**

GUIDELINE EXPLANATIONS

Most lenders require a page explaining the assumptions lying behind your figures. Even if you are not borrowing, it is much easier to do it at the time rather than when you are suddenly scrambling to get a loan and have to explain the figures in the bank manager's office where you might have forgotten the rational.

DATING CASH FLOW ITEMS

When calculating Cash In, date the flow of cash when it is received and not when the sale is made. If you offer credit, you can expect most of your accounts to pay within 30 days, but some will stretch over 60 or 90 days, and entries for those estimates must be delayed until those dates.

The same holds true for costs, these must be recorded when they are paid, usually in the production process or in response to the normal monthly bills you receive for overhead expenses. Entries for raw material costs which you purchase on credit can be entered as an expense in the next month when you would normally pay the bill.

This is where the market survey and estimate of sales is so important. If you are just starting, or have been in business for only part of a year, make sure you check your projections with someone who is knowledgeable about your business. Do not forget the wide seasonal swings you may experience in sales and production. The more realistic the estimates, the less trouble you will have later on when your monitoring shows the cash flow going off the tracks.

BALANCE SHEET ITEMS

Interest charges on your loans should be included as part of your overhead expenses, but repayment of part of the principle on a loan should be included in Balance Sheet Items. Outlays for machinery and equipment should also be included under Balance Sheet Items, but items being rented would appear under Operating Expenses. Do not forget that an extra telephone or a computer to be used in the business must also be included as assets.

ACTUAL VERSUS PROJECTED CASH FLOW

If at all possible, get into the monthly habit of recording actual cash flow for January in the next column after your projected cash flow for January, and so on for other months. This will warn you immediately if your cash flow is starting to go off the tracks, and it pinpoints exactly where.

If revenues are too low for a particular item, or if raw material costs are too high, or if some overhead expenses such as telephone calls are running too high, you are given ample warning. You can then take corrective action, or you can revise your estimate on how much working capital you will need and when you will need to approach the bank.

On the other hand, do not over-react to every little hiccup in the cash flow. No-one can predict the future exactly, and it is amazing how things seem to work out in the end. A good rule of thumb is to do the monthly exercise, and if some problem appears to persist for three months in a row, then you should respond by taking action. Like learning to drive a car, you must not over-react and steer too much in one direction to compensate for steering too much in the other.

APPENDIX 2: MARKETING BY MAIL

One of the more traditional and successful ways for HBBs to make money is to sell through mail order. You can do it on a part time basis without quitting your job. However, it is a difficult market and can gobble up time and money with very little net profit to show for all the effort, if it is not approached in the right way.

Studies estimate that people over the age of 50 now control 45% of the buying power in North America. These same studies project that within 12 years, people over the age of 50 will control 75% of the consumer spending. These are people who do not always enjoy shopping in malls and stores and who may prefer the privacy and convenience of mail order. In order to reap the rewards a mail order business can bring you over the next ten years, you must establish a qualified list of buyers. Once these people are convinced that you are honest and offer fair value for their money, your business will grow steadily each year.

A. MAIL ORDER OPTIONS

As with any marketing plan, it is important to do a market survey and find out what people want, what has worked in the past, and what is currently successful. Steps to success:

- Study mail order ads in magazines like "Reader's Digest" to understand the success of perennial favorites such as music records and tapes, diet, health and beauty products, and books and tapes teaching you how to do things.
- Public libraries keep several months of back issues which will allow you to analyse ads which have established a successful pattern. Obviously people do not keep advertising unless they are making money. How have the ads changed over time?
- Which specific market are you targeting?
- Does your product or service have year round appeal? If not, you should try to round out your offerings with off-season products and services.
- Whether you are using ads or direct mail, success depends on regularity and consistency. People may watch your ads for several months before they decide you have been around long enough to be honest and reliable.
- The product or service must be unique and unattainable at the local level, or people will be stimulated by your ad to go and buy the item locally where they can see it and perhaps have it demonstrated.
- On the other hand, the item cannot be too unusual or people will be suspicious or just ignorant and will not buy it without seeing it.
- Items which need to be replaced periodically are excellent as they will reinforce your stable, qualified list of buyers.

DIRECT MAIL VERSUS ADVERTISING

One of the biggest problems with using a direct mail system is that it is so expensive during the initial periods while you are wading through large numbers of disinterested people in order to find the few who really want and need your product or service. Using ads to build a list of qualified customers can also be expensive and discouraging work: you are trying to sell something which your customers cannot touch or even look at.

Many people start with a one-step approach which involves informing people that you have something to sell which can be ordered directly. You can advertise either directly by mailing a brochure to people on a mailing list or by advertising in a magazine or newspaper.

The costs of advertising and direct mail delivery are too high to be able to make money out of selling just one item through a single ad or mailing. This is why it is important to use a two-step approach. Always think of your ads or first mailings as a way to get a foot in the door, an investment toward getting that qualified list, and move toward a two-step system as quickly as possible.

A two-step system involves either advertising or direct mailing a simple brochure inviting people to send for more information. Those who respond are the ones most likely to buy your product or service. Remember to point out in the initial ad that no salesman will call if they send for more information.

THE COSTS OF ONE-STEP AND TWO-STEP MAILOUTS

Using a one-step direct mail system, you can expect to sell to 20 people out of 1,000. If the per unit cost for 1,000 copies of your information circular is 50 cents and you paid $35 to have them delivered, this means the total costs for the direct mail would be $535. Spread over 20 orders that amounts to $26.75 per order.

You can begin to see why it is so important to sell a product which is worth $50 or more, in order for you to get that 100% markup from the production cost of $25 per item. As you become more successful at direct mail, you can expect the order rate to rise to 4%, which reduces the costs to $13.50 per order.

USING A CATALOGUE

The most important secret to success after building a qualified customer list is to produce a good catalogue. Repeat business from qualified customers saves an enormous amount in terms of marketing. And yet, customers need something new and different in order to give them an incentive to keep buying: offer them a catalogue of items. Be careful not to switch market segments, instead produce a small catalogue for each market segment.

The catalogue can grow out of your information circular or brochure, just add more pages to one which has the most pulling power. Once you have a mailing list of qualified people who are buying from a catalogue, you can expect an order rate as high as 8%.

Of course, if the catalogue costs $1.25 to produce, your per order costs rise again to $16.00. All of which demonstrates that it is hard to make a million by direct mail, but you can make a good living if you budget your expenses carefully.

COSTS FOR TWO-STEP ADVERTISING

If a classified ad in a magazine costs $120 and leads to 80 inquiries, the costs per inquiry are $1.50. If the catalogues sent out to those inquirers lead to 8 orders, and producing and mailing the catalogues costs $1.75 per inquirer, the total cost per order amounts to $32.50.

It is at this stage that you might consider charging for the catalogues. The order rate of 10% is excellent, but there is simply not enough money in it to make it worthwhile. Charging for the catalogues is only likely to reduce the initial response down to 60 inquiries, and you are still likely to get 8 orders because only the really serious people are applying for the catalogue.

B. SETTING UP A MAIL ORDER BUSINESS

Steps to success in building up a mail order business:

- Make an appointment to see your local post office sales department, they will not charge and yet will often give invaluable advice on how to use the postal system to your advantage including tips on packaging. They can also tell you how to save on postage by mailing pieces which are below certain weights and packaged in certain ways.
- If you become large enough to explore direct mail into the U.S., it is well worth driving down and meeting with a sales rep from the U.S. Post Office.

THE BROCHURE

- Save costs by combining your covering letter, brochure and order form all into one information piece. Most people do not take the time to read a letter, they will look at the pictures in the brochure and make a decision based on the message in the brochure. On the other hand, if you cut brochure costs it will usually lead to lower sales.
- The brochure starts with a headline or short phrase which appeals to the need for your product or service, and proceeds to a message and a photograph. Make the main message simple, warm and friendly, and highlight the benefits likely to appeal to the particular market segment you are selling to.
- Include endorsements and testimonials from other people. If you can turn these into a story, people are more likely to read it than a lengthy explanation about the product or service.
- Caption photographs very carefully: some people may make a decision to buy simply on the basis of looking at the photographs and reading the captions.
- Avoid too many choices, make it simple for the customer to understand, and give them a guarantee they can trust. Always ask for the order using action words to overcome inertia.
- If you use a single information piece, you will have to include a return postcard, an order form or a cutout coupon and envelope. Remember that you cannot ask for cheques or money orders if you use a postcard system.
- Make it postage paid as you only pay on the envelopes that are returned, and many potential clients are deterred by having to find a stamp. The post office only charges about four cents more per letter for the postage paid system, but the guidelines are very specific and must be carefully studied in advance.
- Always offer a money back guarantee, you will find that if your product is good and reliable, you will get less than a 5% return rate. Do not forget to build that 5% loss into your price structure.
- Repeat the guarantee on the postcard, on the order coupon or even on the back flap of the envelope. Make the ordering sentence warm and friendly, and address the return envelope or postcard to the "person" who has been giving the message in the brochure.
- If you use an envelope, make sure it fits in the original mailing envelope without folding, and that the order form or coupon can be fitted into the return envelope without being folded.

- Time your mailing to important events such as "Back to School" if you sell products or services related to children, or the Christmas trade if you sell gift items. For items or services of a more general nature, however, avoid mailings during distracting periods such as Christmas, summer vacations, and income tax time.
- Once you have set up a successful system, you can increase efficiency by using the services of a fulfillment house: a business which has all the machinery to fold, stuff envelopes, and stamp your mailing pieces. They will also receive and process your orders for you. This is the way to go if you find the time spent in selling is detracting from your production time.

PRICING AND PRODUCTION

Within two weeks of the first order, you will have received 50% of all the orders you are likely to receive. And two weeks after that date you can expect to have received 75% of all the orders you are going to get from that mailing. Steps to success:

- Your prices should be marked up 100% from production costs in order to cover all your costs. That is, if your base costs are $10 to produce something, and your standard markup is 100% to cover overhead to give a wholesale price of $20, you must add another $20 to cover your marketing costs, bringing the final mail order price to $40.
- Do not price higher than $75 for any single item, trying to sell something worth more via mail order is very difficult as most customers want to see or touch the item, or at least talk to a salesperson before spending that much.
- If you do not intend to produce some or all of the items yourself, make sure you have access to quantities of the goods, but do not spend a lot on inventory:
    - Check with a local manufacturer who has spare capacity, or look for a sheltered workshop. They will do an excellent job of production and you can pay them as you receive batches of replies.
    - For a service such as computerized bookkeeping where customers send their monthly records and receive in return a computer diskette with all the information entered for them, make sure you have a reliable stable of bookkeepers to whom you can farm out the work.
- Do not send out all the mailings at the same time, you will be unable to fill the orders quickly enough to keep satisfied customers. Calculate the average response rate (2% is normal, 4% is outstanding), and send out the mailings at a rate which will allow you to fill orders within 2 to 4 weeks of receiving them.
- Wait for the money to come in, then buy or produce the items, and ship them out. In the U.S. you are required by law to ship within 30 days of receipt of payment, so do not delay beyond that date. No such law exists to date in Canada.

STREAMLINING DELIVERY

- Make sure the item you choose is not difficult to package and ship as mailing and handling costs rise considerably if the item is bulky or heavy.

- If you experience success with mail order but do not want to give up the production side, you can use the services of a drop-shipper. These companies, many of which are HBBs, will stock, handle and mail out the products for you. That way you can concentrate on the advertising and the production end. Make sure the order form can be used as an address label in order to save time and money. The drop-shipper will simply glue the labels onto the parcels for you.
- If you are doing mail order into the U.S., you can save a lot of the shipping hassles at the border by using a U.S. drop-shipper. You ship in bulk to the drop-shipper, U.S. duties are paid only once, and the drop-shipper will service all your U.S. customers for you. Phone numbers for U.S. drop-shippers can be found in periodicals dealing with mail order which you may be able to get through your public library.

SELLING TO MAIL ORDER AND CATALOGUE BUSINESSES

Some HBBs have found that it is easier to sell through another HBB which already has had some success with mail order. Do not forget that marketing takes time and money, and if you would rather stick to producing your product or service, it is cheap at the price to get someone else to do the selling for you.

These mail order businesses are always looking for new products and services that they can offer to their own mailing lists. If you have a track record from having sold via mail order already, it will strengthen your request to have your products or services listed in their catalogues.

As always, it is much easier to get into the smaller catalogues, and that may be a good place to start. Try to avoid an "exclusive" if possible, although it may be the only way to get a start in the catalogue world. Try to restrict the exclusive period to three months after the catalogue comes out, and then your product is not tied up for too long.

Both large and small mail order and catalogue houses work with the averages, they know that only a small proportion of the items in the catalogue will account for the largest number of sales. However, it is impossible to tell ahead of time, which items in the catalogue will be the winners.

While they are concerned with whether your product will sell, they also want assurance that you can produce the volume to meet the demand if it is a real winner. They will keep the winners from previous catalogues, but as interest in these items slowly fades, they must be replaced with new items. This is why these catalogue houses are willing to carry your product or service, as long as they can trust you to be able to increase production quickly if necessary.

C. USING A DIRECT MAIL APPROACH

When you first start out you may be tempted to pay for your brochure to be included in one of those large envelopes that go out filled with coupons and small catalogues to all the households in a particular area. Unfortunately. the throw-away rate for these general mailings is depressingly high, resulting in a low response rate. Steps to success:

USING PACKAGE INSERTS

- Use a package insert system where your brochure is included in grocery store bags or pizza and dry cleaning packages which are taken home. While this method can be slower, it carries a third party endorsement and is often surprisingly cheap.
- Many utility companies and cable television companies are happy to insert a flyer at a reasonable price. It is harder for them to target household areas unless they have a simple postal code sorting system, but it is a wonderful way to get blanket coverage, third party endorsement, and to alert people to your existence.

Studies have shown that people are much more likely to read an insert because they have "bought" it with the package. Make sure the firm doing the inserts for you has a good reputation, and that they are honest about putting the inserts in when they claim they do. You may have to send your daughter or son for a pizza to make sure!

PACKAGING AND HOME DELIVERY

- Send direct mail in your own envelope and you will find that you can have it delivered for about $50 per 1,000 homes through a private distribution company.
- Try to use envelopes if you can afford them as the throw out rate is much higher for brochures or leaflets which do not come in an envelope. Keep the envelope clean and simple with your personal address (street rather than P.O. Box).
- If you have developed an established client list, use window envelopes with the client's name and address already entered on the order form and showing through the envelope. It will save you time and money particularly at the delivery stage.
- With large volume mailings you will have to use machine stamping, but with low volume direct mail to your qualified mailing list, try to use stick on stamps as they look less formal.
- Flyer marketing agencies can insert and distribute a single page brochure or advertising piece for about four cents per household depending on the community, the newspaper or magazine and the volume. It is also possible to target household areas with this technique.
- For about eight cents each, the post office will deliver a brochure or leaflet with a detachable order card to neighbourhoods targeted by postal code. The card, with your return address and prepaid postage, can be made of heavier grade paper, and can have a perforated section which tears off.

WORKING WITH MAILING LISTS

- Buy lists of qualified customers from mailing list houses. Make sure the list is recent as about one-third of previously qualified customers must be removed each year for various reasons.
- Specify what market segment you are aiming for to get a list which is qualified for that target market: there is no point in getting a list of people who have bought $10 items if your product sells for $50.
- Try to determine how often people have bought and how often the list has been used by others. The usual cost for renting lists is $35 per 1,000 names with a minimum of 5,000 names. You do not need to send material to all 5,000 when you are first starting!
- Develop your own mailing list by using one of the many commercial and residential directories which are available. Drive around your community and make a note of the street addresses of areas where your target customers are likely to live. Refer to the street address directories or address your mailing package to "occupant".
- While you may have to use purchased lists to start with, or send out direct mail through inserts or to postal code districts, work to build up a list of qualified customers, people who have bought from you at least once, and who trust you.
- Once you have your own qualified mailing list, you can earn extra revenue by renting it to one of the mailing list brokerage houses. The more recently people have bought, the more valuable the list. Check with your public library or with MacLean Hunter (publishers) to determine current rates being paid.
- Remember to include a change of address form whenever you send orders out to customers, it will help you to cut the one-third loss of your mailing list each year.

SELLING TO WHOLESALERS AND RETAIL OUTLETS

Many HBBs are afraid to use mail order to sell to the wholesale level. And yet wholesalers and retailers are always in need of good products and services to sell. In many cases it can be an excellent market, but you must be patient and persistent: these professional buyers are very wary of fly by night outfits that do not deliver the quality or volume which has been ordered.

In addition to the large wholesale and retail buyers discussed in the previous chapter, you can direct mail to the thousands of independent retail "Ma and Pa" stores. Many of these people do not have the time or freedom because of the long hours, to get out and do their buying: most of them are forced to order through mail order catalogues. If your product will sell and help them to make money, they will prove to be loyal customers.

If you are selling to wholesale or even some retail outlets, you must send out your mailings in March to attract orders from buyers stocking up for the summer tourist trade. Send out mailings in August if you want to catch the orders for Christmas retailing. To save time and money, indicate in mass mail-outs that you will only send your catalogue to qualified wholesale buyers or retail outlets who write to you on their letterhead.

One of the best guides for targeting the exact group for which you would like to receive a mailing list is the "Directory of Associations in Canada" available at most public libraries. This directory lists, both by name and by subject, most national, provincial, and foreign associations with branches in Canada as well as foundations, marketing boards and research institutes.

APPENDIX 3: GROUP MARKETING

If you are in the arts and crafts area or if you are a service provider in such areas as secretarial, bookkeeping or accounting, it may be worth investigating the possibility of combining forces with other similar HBBs. Probably the most common form of group marketing for HBBs occurs in the retailing of arts and crafts. By examining the reasons for success, it is fairly simple to apply the same principles to most other forms of group marketing.

There are distinct advantages to marketing as a group both on the selling side and on the buying side in terms of volume discounts when buying supplies and services. It offers a way of sharing the marketing and selling task which can take up to nearly half your time. Perhaps of greatest importance is that you can learn why your products have not been selling well. Thoughtful feedback from fellow artisans can be less painful and far better informed than the shallow criticism ladled out at flea markets and in shopping malls.

Working in a marketing group will give you an opportunity to develop business skills by learning a number of tasks under the watchful eye of a more experienced member. There is no question that skills and quality of output are also enhanced through the peer group pressure of working with other professional artisans. New techniques can be learnt and information about hard to find catalogues and the names of suppliers and wholesale buyers can also be exchanged.

Marketing groups can also be a boon to women with children at home because the marketing load can be shared with flexible hours. Some marketing groups are able to offer services such as daycare. And group rates for such things as liability, dental, life and disability insurance can ease financial concerns.

Not only are there cost savings, but the extra time which can be devoted to production of your arts and crafts can make a huge difference. Plus the anxiety level drops dramatically as your products are being sold in a congenial way without a lot of hassle. Ease of public access, the drawing power of a shop or gallery with varied arts and crafts, and the availability of more money for advertising ease the marketing burden considerably.

However. like any relationship involving other people, group marketing requires communication amongst all parties to be the top priority. Everything must be spelled out clearly so there are no misunderstandings. The following sections will outline ways in which successful groups have dealt with the major thorny issues such as management, setting group policy, sharing workloads, establishing a fair commission system, determining standards, financing the group, and interacting with the community.

A. MANAGEMENT

APPOINTING A MANAGER

Possibly the biggest problem is the confusion between democratic rights to vote and the management of the group. The reality is that most people, and especially groups, do not have the skills necessary to manage a business. In fact, surveys indicate that only one in ten people actually have the skills to manage. While it is important to delegate authority to a manager, it is equally important to ensure the basic policy decisions are made by members.

Each group must work out their own system, however, the most successful appears to be the once a year vote for a board of directors which, in turn, appoints one member as the overall manager. The problem with democracy is the tyranny imposed by a minority which ends up running the business to suit their particular needs, or which forces the manager to cater to them.

The reality of business is that hard-nosed decisions have to be made. If voting is restricted to once a year for directors, it keeps the "politicking" over those hard decisions to a minimum. However, this system will only work if there has been a great deal of group input into setting up the business and the policies which will guide how the business is run. The marketing strategy, the business plan and the cash flow management system must all be agreed to as a group before being handed over to a manager and a board of directors.

USING A COMMITTEE SYSTEM

The manager must be able to delegate authority to different individuals and committees. Committees work best in the initial period when policy decisions must be made on such things as marketing strategy, commissions to be charged, systems for workload sharing, advertising, jury panel duties, gallery displays and decorating.

Once these decisions have been made, the committees involved only need to meet once a year to review and re-assess the operating procedures. The rest of the year, one or two individuals can be assigned to the duties. Too many committee meetings will drive members away, and decisions will eventually be made through the tyranny of the involved minority. This is why it is essential to have a regular newsletter or other system of informing members of the results of committee recommendations to the board, and the current systems for operating the group.

An annual general meeting is all that is required if the system is working well. Emergency meetings to determine major policy decisions based on committee research can be called from time to time. However, too many of these indicate that either the manager or the board of directors are not courageous enough to make tough decisions.

There are often many ways to do things, which is why it takes so much time to reach a consensus in a large group setting. And yet hindsight often indicates that the path taken really did not matter. What was of far greater importance was the atmosphere in the group. Strong operations management with member access into the policy making area will save enormous amounts of time and produce a very positive atmosphere.

B. PRIORITY TASKS

- A committee must be struck to determine exactly which target markets are feasible, and a decision must be made as to which market segment must be approached initially.

Confusion over objectives, and trying to be all things to all people have been the downfall of many a marketing group. A marketing plan based on a thorough market survey must be developed and tested for feasibility. Groups which stay close to their area of expertise usually meet with greater success.

- The group must put a business plan together complete with the financial parts, to determine if the marketing group is viable financially.

It is better not to use a consultant, the committee struck to develop a business plan can do a better job. For one thing, members are vitally concerned to make sure it will work because it is their own livelihood which will be affected. Consultants do not have to live with the consequences of their recommendations.

- Check the marketing strategy and business plan with an agency such as FBDB or the Business Development Centre associated with the local Community College.
- Once feasibility and viability have been determined, committees can then be struck to lay down the policies needed to conform with the business plan.

The manager must sit on all committees but it is not the manager's task to make decisions, simply to make operational the decisions of the committees. The manager's input is most valuable in terms of steering the committees' policies toward something which will be workable. After all the deliberations and voting are over, it is the manager who has to make the system work.

- The group must distinguish between making policy decisions on important issues, and making business decisions related to the running of the business:
    - Give the manager the authority to make operational decisions.
    - Difficult issues must be discussed by members or by the committees struck to examine those issues.
    - Procedures should be established for gathering information, presenting it, and voting on the best policy for the marketing group.
    - Do not minimize differences: denying that conflict exists will lead to members quitting if problems are not dealt with properly.
- What legal structure would serve members best?

Incorporation provides liability protection for all members, particularly for those who are not active in decision making but are deeply involved in the selling. A legal agreement is also important to consider if machinery, equipment and buildings are going to be purchased or if there will be inventories of supplies resulting from bulk purchasing.

C. WORKLOADS

JOB DESCRIPTIONS

- Write a clear job description for each task, an estimate of the amount of time required to do the job, and an honest estimate of the value of the time required to do the job.

An hour's worth of bookkeeping is certainly more difficult than an hour of minding the shop. If there is not complete honesty and fairness in these assessments, the difficult jobs and tasks will simply not get done, or will have to be subcontracted out to other people. The problem with subcontracting is that the benefit derived from working as a group gets lost. As with any HBB, the members should try and do as much as they can themselves, and then take their work to an expert to finish it off.

- Keep the worksharing discussions positive by outlining the interesting skills which can be learned and mastered. And in the event the marketing group collapses, these skills can be transferred back to operating an individual HBB again. Jobs include:
  - bookkeeping,
  - preparing advertising and publicity copy and layout,
  - interior display and decorating,
  - co-ordinating work schedules,
  - business office routines,
  - bulk ordering,
  - preparing legal documents,
  - preparing income statements, cash flows, balance sheets and income tax returns,
  - organizing workshops to upgrade the skills of artisans,
  - coordinating community promotions.

SUBCONTRACTING

An accountant can be invaluable and their charges very reasonable for helping to set up the books for the group. After that initial period, the bookkeeping and the first draft of the income tax returns should always be done in-house, if possible, before being handed over to the accountant at the end of year (or quarterly or monthly if bank reporting is required).

- Work as a group to develop a good marketing strategy and positioning plan, and then call in the expert.
- Prepare the group brochure then take it to an outsider for advice.

By sharing tasks on an equitable basis within the group and between the group and outside experts, a balance can be struck which will retain the greatest benefits for the group while saving on external costs. Eventually, when revenues start to flow, the group can make a decision to subcontract many of these tasks to experts outside the marketing group.

TASK REFERENCE MANUAL

- Create a reference manual for each major task. This is a set of directions that even a raw recruit can easily follow.

People get sick, and the statistics indicate that in any group of eight people, one is likely to suffer short term disability in any one year. Not only must there be a policy for shift replacement, but there must be a system set up to replace someone who is absent for a longer period of time. This may require each member learning one other job in addition to their regular duties.

PERFORMANCE EVALUATION

- Set up a system for evaluating performance.

The harsh reality is that one out of three people have trouble working. Workshops and a supportive counselling system can reduce that to as few as one in ten. Nevertheless, some time during the first two years, in any group, poor work performance must be dealt with. Successful groups have found that rather than loading the responsibility onto the manager, a committee should be struck which meets to discuss performance on a regular basis, such as every six months.

The members' performance in terms of the job description and the duties explained in the reference manual for each job are assessed. This, together with the volume of sales of the members' works can be used to assign the bonuses to investment accounts at the end of the financial year, if that system is used. For performance purposes, only those individuals experiencing difficulty are called in to discuss work problems with the committee. Eventually, after workshops and counselling, if there is no improvement, the committee can recommend to the manager that a member be paid out and asked to leave.

D. COMMISSION SYSTEM

DIVIDING PROFITS

- Set the commission rate at a level which gives a fair return to each member while being high enough to cover all marketing group expenses including both operating costs and all overhead.
- Set up an amortization fund to repay any loans, and a capital cost fund to maintain and replace assets such as the building or any machinery which the group may own.
- Set aside a net profit fund which can be invaluable in funding expansion without the need to borrow, and which can sustain the group through the recessions which seem to come every ten years or so.

SETTING A FAIR COMMISSION

Inevitably, as much as 75% of the products will be sold by as few as 25% of the members in the group. For the slow selling members this may not matter if they do not have to depend on sales for a living. But for the people doing all the selling, a commission system may appear onerous as they feel it is their money which is the backbone of the organization. Alternatively, for the slow selling members, it may seem they spend a lot of time minding the shop and selling all the work of only a few of the other members.

- Aim for a single commission rather than a system of different levels of commissions which can lead to a "layering" of the group into the "elite" and the "others".
- Be prepared to address the fundamental issue of why certain things are selling and others are not, and whether artisans who are treating their work more as a hobby should be excluded. The truth of the matter is that you are either in business to make a living or you are not.

MOTIVATION

- Structure the manager's salary so that they are motivated to look after the welfare of members selling a small volume. Some groups have found that restricting the manager's salary to a maximum of three and a half times the total annual income of the lowest paid member of the group provides strong incentive for the manager to make sure that all members of the group benefit from the marketing.
- Some groups have dealt with the motivation problem by asking all members to invest a set amount in the marketing group and its facilities:
    - each person is paid a return, usually the bank interest rate on a savings account, on the amount invested,
    - each person pays a commission on the works which are sold through the group,
    - a bonus based on volume of sales is paid at the end of the business year.

The bonuses are paid into the investment account of those individuals who sell a high volume, but only 25% of the bonus can be withdrawn in any one year. The next year, those individuals will have larger investment accounts than slower selling members, and will receive a larger interest payment.

This payment system not only motivates members, but it can help provide the initial funding to start the marketing group, an incentive to produce goods which are highly marketable, a way of keeping slower selling members in the group without creating a lot of resentment, and a highly visible "investment" account which can be paid out to people who quit or who are asked to leave because of any problems which may arise.

E. CONSISTENT QUALITY AND VOLUME

DETERMINING STANDARDS

- Strike a committee to decide what quality and volume levels are required for the target market which has been chosen. If it is agreed that grade "B" quality is sufficient, then this should be made clear to both current and future members. Alternatively, if the group agrees that only grade "A" is acceptable, it may also be agreed that during the summer months and at Christmas both grade "A" and "B" are acceptable.

Consistent volume is equally as important. Wholesalers in the province despair because they are forced to turn to Taiwan and Korea to buy the large volumes of giftware required for the Christmas trade and the summer tourist trade. They are happy to accept grade "B" or grade "C", as long as it is consistent and has been agreed to ahead of time.

Many marketing groups find that as they develop a reputation over the years, their volume of sales in the store is outpaced by their sales to the wholesale trade or to other retailers. In other words, the store becomes like a showcase, and the real business is going on in the backroom and over the telephone. But this will only happen if the quality and volume are consistent.

JURY PANELS

- Set up an internal jury group to judge, appraise, reject, and if necessary, recommend to management that an individual be asked to leave the group.
- The jury group must decide:
  - what the standard grade is to be,
  - whether that grade can change on a seasonal basis,
  - whether kits and commercial reproductions will be permitted.
- Rotate membership on the jury panel to prevent one point of view from prevailing.

Sometimes a particular individual is able to tyrannize the rest of the panel into choosing one particular grade and style which can be very difficult for marketing group members whose work does not conform. For this reason, there must be a system of appeal. The process set up can also deal with the problem of an actual or perceived case of one member "copying" another member's best selling style.

DISPLAY AND PROMOTION

- Set up a separate committee to determine the system of display and permissible promotions.

Some groups allot display space purely on the basis of so many weeks each year per member in the high exposure locations. Other groups which are more consignment oriented tend to have a consignment fee structure which depends on positioning in the store or gallery. The same is true for advertising: certain weeks will feature pottery, others will feature woolen sweaters and so on.

F. WORKING WITH THE COMMUNITY

POSITIONING

Positioning the marketing group in the community and maintaining a consistent image is extremely important. A loyal customer base must be established in the community. Even if sales are twice as high during the summer tourist months, the reality is that those tourists are often directed to the store or gallery by the loyal customers in the community.

- Keep some distance between the marketing group board and the community. Do not invite outsiders to sit on your board of directors: each person added to the board multiplies the complexity of interpersonal communications. Keep the board strictly in-house, but invite outsiders to come and make presentations to the board and sit in on the discussions.

Just as with the individual HBB, a marketing group cannot compete, at least initially, on the basis of price or volume. Competitors will match the group's moves in everything except service. Service must be the hallmark for the marketing group. This applies equally to the interactions with the community particularly in the area of planning.

PLANNING

Funding for feasibility studies is often available to assist in planning for expansion or relocation within the community. The marketing group's presence often adds to the picture of the community as an attractive tourist destination. But older organizations and other retail businesses will be concerned about the competition. They will be particularly concerned about the marketing group dramatically undercutting prices to "steal" business away.

- Make sure the marketing strategy will create the image of pulling more business into the community and make clear that all can gain by getting a share of a bigger pie.

This image can be most helpful when it comes to approaching the local bank for a loan, or when access to certain pieces of equipment or machinery owned by other businesses is essential for some members.

- Join the local Chamber of Commerce to help create a business-like image and establish a network of supportive people in the community.
- Take out membership in appropriate technical associations to create a presence in the industry to enhance the image of "we mean business".

G. FINANCING MARKETING GROUPS

It is highly recommended that the group use a system of financing similar to the one suggested above whereby members "buy" their way into the marketing group. Members can then mortgage their own property and fund the group that way. While it is hard to believe, banks or credit unions are often less reluctant to extend money to members than to a marketing group simply because the resale market for homes and cars is more liquid than inventories of arts and crafts in a store.

A further advantage is that if one member fails and loses their home or car, the marketing group can continue to exist for the benefit of the remaining members. And there is nothing like a strong financial commitment from members to ensure their vital interest in making the marketing group a great success. However, even with such a system in place there may be times when it becomes necessary to borrow money.

- Set up a committee to search out private and public sources of funds in the local community. Depending on the nature of the group, financial assistance or assistance with training members for certain tasks may be available from different levels of government.

- Set up an external advisory group rather than hiring an outside consultant to prepare funding proposals. Half of the members should be drawn from the marketing group's own board and the other half from interested professionals in the community.

This advisory group is not expected to make policy decisions but simply to examine the workings of the marketing group and determine whether the actual operations are straying from the marketing strategy and the business plan. The advisory group can be invaluable in terms of supporting applications for funding or an, requests related to expansion or construction within the community, and they can often provide excellent guidance in terms of fund raising in the community.

Because of the unusual nature of a marketing group, most conventional sources of financing are reluctant to extend anything but a line of credit or a mortgage, and even then their collateral requirements may be onerous. Alternatively, certain operating procedures and regular reporting and documentation may lead to the group questioning the wisdom of borrowing externally and paying all the costs involved in addition to the interest payments.

RESOURCES

A. PRIMARY RESOURCES

Canadian Small Business Institute, 1985, "Blueprint for Success in Your Own Business, Vol. 2: Marketing."

McMahon, E., 1989, "Ed McMahon's Superselling: Performance Techniques for High Volume Sales," (Prentice Hall Press).

Withers, J. and C. Vipperman, 1987, "Marketing Your Service: A Planning Guide for Small Business," (Self-Counsel Press).

B. OTHER RESOURCES

Brabec, Barbara, 1981, "Creative Cash: How to Sell Your Crafts, Needlework, Designs and Know-How," (Fisher Publishing, Inc.).

Brabec, Barbara, 1984, "Homemade Money," (Betterway Publishers).

Byers, G.L. and H.E. Teckert, 1980, "Marketing for Small Business: What It Is and Why You Need It," (Macmillan Company of Canada).

Chapman, E.A., Jr., 1987, "Exhibit Marketing: A Survival Guide for Managers," (McGraw-Hill Book Company).

Gray, D.A. and D.G. Cyr, 1987, "Marketing Your Product: A Planning Guide for Small Business," (Self-Counsel Press).

Holz, Loretta, 1977, "How to Sell Your Arts and Crafts," (Charles Scribner's Sons).

McCay, J.T., 1959, "The Management of Time," (Prentice-Hall, Inc.).

C. DIRECTORIES

Financial Post, annual, "Canadian Markets": based on the latest census, it surveys provinces, major cities and most urban areas giving demographics, community media, disposable income, types of industry.

Maclean Hunter, monthly, "Canadian Advertising Rates and Data": sources, procedures, and prices for advertising in various media.

MacLean Hunter, annual, "Canadian Industry Shows and Exhibitions": industrial and trade shows and exhibitions scheduled to take place in Canada, arranged by industry and detailing trade show services.

Micromedia, annual, "Directory of Associations in Canada": national, provincial and foreign associations with branches in Canada, foundations, marketing boards and research institutes, both by name and by subject.

Statistics Canada, annual, "Market Research Handbook": compendium of marketing information with indicators on personal income, household facilities, merchandising and service industries data.